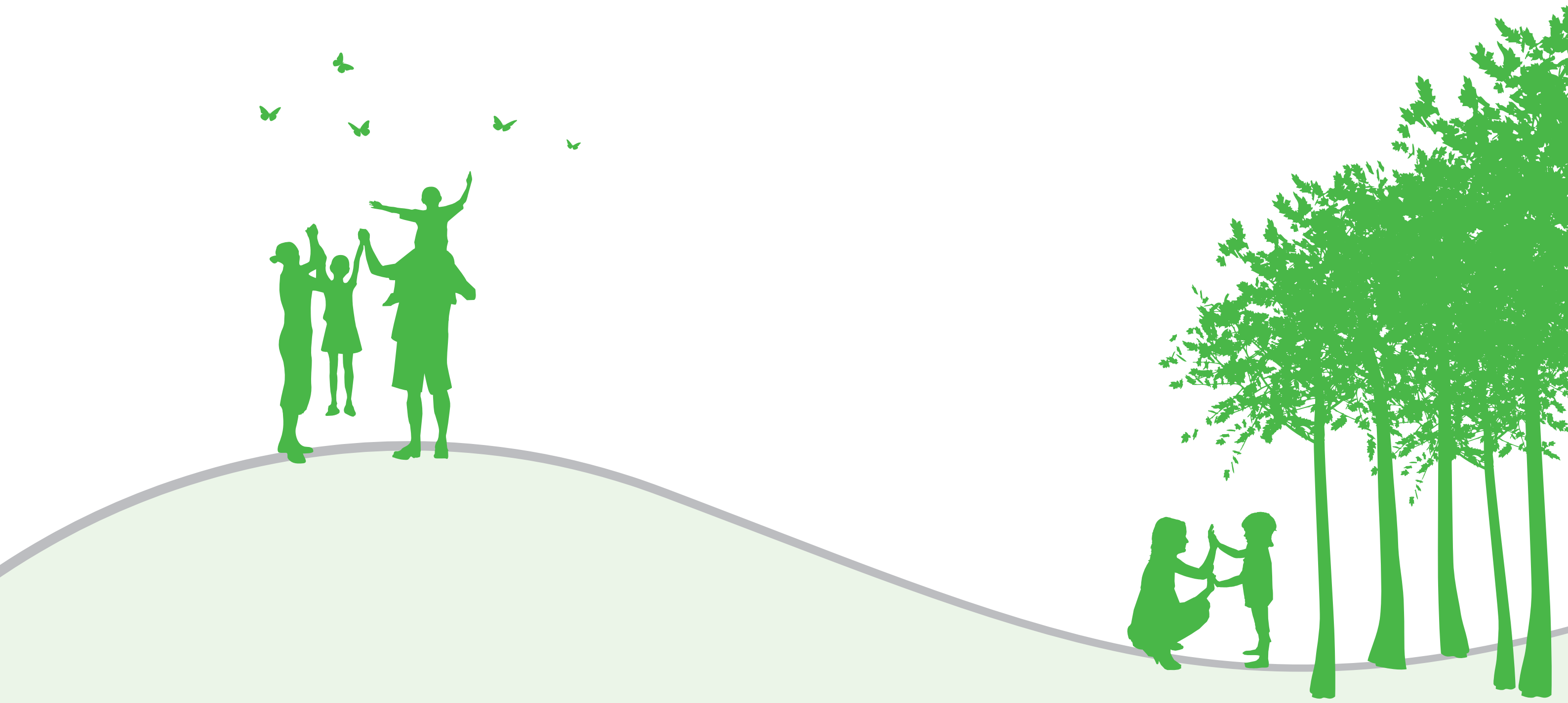
綠色動力
DYNAGREEN

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 2017



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Mr. ZHI Jun *(Chairman)*
Mr. GUO Yitao
Mr. LIU Shuguang
Mr. FENG Changzheng

Executive Directors

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

Independent non-executive Directors

Ms. CHEN Xin
Mr. KWAN Kai Cheong (resigned on 26 February 2018)
Mr. OU Yuezhou
Ms. FU Jie (appointed on 26 February 2018)

AUDIT COMMITTEE

Mr. KWAN Kai Cheong *(Chairman)*
(resigned on 26 February 2018)
Ms. FU Jie *(Chairman)* (appointed on 26 February 2018)
Ms. CHEN Xin
Mr. FENG Changzheng

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

Mr. OU Yuezhou *(Chairman)*
Mr. FENG Changzheng
Mr. KWAN Kai Cheong (resigned on 26 February 2018)
Ms. FU Jie (appointed on 26 February 2018)

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. CAI Binquan
Ms. WANG Meilin

COMPANY SECRETARY

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 Huazhen LLP

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

PROJECT LAYOUT OF THE COMPANY

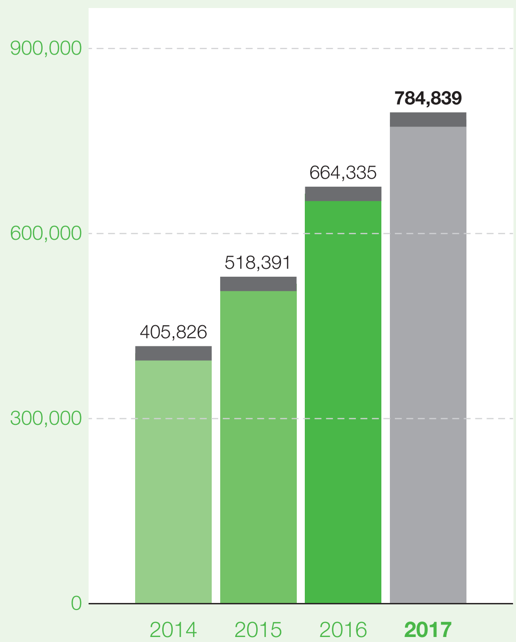
As of the end of 2017, Dynagreen Environmental Protection Group Co., Ltd. entered into 29 concession agreements for municipal waste treatment. With projects in 14 provincial administrative regions of China, the Company had one of the most extensive layouts among Chinese waste-to-energy businesses.

FINANCIAL
HIGHLIGHTS

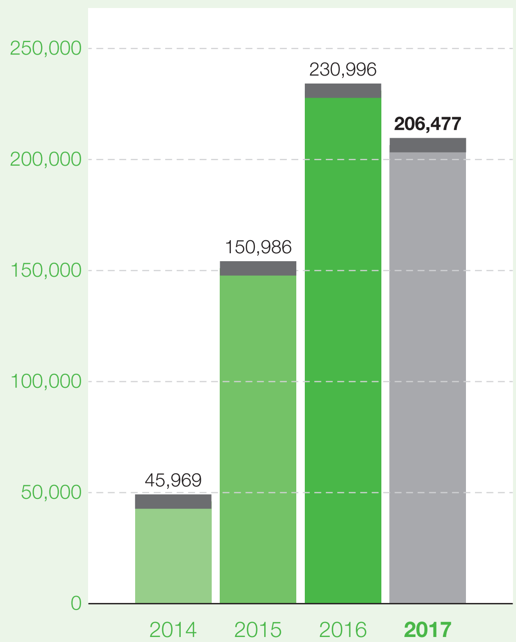
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Results				
Operating income	**784,839**	664,335	518,391	405,826
Gross profit	**458,526**	413,100	327,827	252,248
Gross profit margin	**58.42%**	62.18%	63.24%	62.16%
Net profit attributable to shareholders of the Company	**206,477**	230,996	150,986	45,969
Financial position				
Total assets	**6,810,136**	5,612,535	4,488,010	3,950,564
Total liabilities	**4,575,496**	3,515,887	2,600,255	2,220,034

Note: The data as set out in the above table are the data in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and audited by KPMG Huazhen LLP. Similar data are not available for 2013. The operating income, gross profit, net profit attributable to shareholders of the Company, total assets and total liabilities as at 31 December 2013 were RMB975,185,000, RMB287,163,000, RMB150,901,000, RMB3,350,495,000 and RMB2,139,062,000, respectively which were prepared in accordance with the International Accounting Standards and audited by KPMG.

Operating income
(RMB'000)



Net profit attributable to 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 2017 and its business prospects for the year of 2018.

China's economy has been transforming from a phase of high-speed growth to a phase of high-quality development. It is now entrenched in people's mind that clean water and green trees are invaluable assets. In light of the severe state of environment, in addition to more legislation, holistic planning and policy guidance, what is required is stricter law enforcement. To this end, the central government has established a system of environmental protection inspection, which inspects the state of environmental protection at local government levels. Since last year, the central environmental inspection team has successively inspected 31 provincial administrative regions and identified a series of environmental breaches. The team also published the inspection results, named and reprimanded the parties concerned, and took actions according to the law. The inspections have effectively deterred breaches of the environmental protection laws and heightened the sense of urgency of treating pollutions to the local governments. Those actions have also provided fresh growth opportunities for the environmental protection industry.

In 2017, the Group's business continued to flourish with further strengthened capability as a whole. In 2017, the Group recorded revenue of approximately RMB784.84 million in accordance with the China Accounting Standards for Business Enterprises, representing an increase of 18% as compared to same period last year. Three new projects began operation, which has brought the total number of completed and operating projects to 13. Both the capacity of municipal waste treatment capacity and the amount of supplied on-grid electricity recorded new highs with year-on-year growth of 16% and 31%, respectively. New contracts were entered into for municipal waste-to-energy projects in Tongzhou (Phase II), Yongjia (Phase II), Yijun in Shanxi and Fengcheng in Jiangxi. The Company acquired a hazardous waste treatment project in Huludao, Liaoning, expanding into the hazardous waste treatment sector. The Huizhou Project was awarded the "Quality Chinese Project for Electricity Engineering Award" (中國電力優質工程獎) and the "National Quality Project Award" (國家優質工程獎).

In 2017, adhering to the corporate mission of "benefiting the society and serving the government" and the value of "generating social benefits as the primary goal and economic efficiency as the basis", the Group further enhanced its quality of management and strictly implemented the environmental emission standards. The Company met the relevant emission standards and maintained production safety throughout the year. It operated in harmony with the community and achieved a win-win situation with customers, suppliers and other stakeholders.

At the 19th National Congress of the Communist Party of China successfully convened in the autumn of 2017, it was declared that China had entered into a new era. Building a Beautiful China by adopting the most stringent environmental and ecological protection system is an important initiative in the new era, bringing bright prospects to the environmental protection industry. Therefore, the waste-to-energy industry will continue to see rapid development in this new era. The Company will continue to focus on market development and will speed up the preparatory work of contracted projects in order to achieve a sustainable cycle of project development, project construction and project operation, with which the Group will work to solidify its leading position in the waste-to-energy industry. The Company will also continue to progress its A-share IPO, striving for its entry into the domestic capital market as soon as possible so as to enhance the Group's influence and its sustainable growth capability. With all of these, the Company aim to achieve even better results for its shareholders as a whole, and to contribute towards 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
9 March 2018

MANAGEMENT
DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The 19th National Congress of the Communist Party of China convened in 2017 again placed a great emphasis on building ecological civilization and continued to make building a Beautiful China as a development goal, setting the tone for the development of China's environmental protection industry. At the same time, the environmental protection tax was officially introduced and the reform on a pollutant emission permit system was completed. A number of environmental standards will be amended successively during the implementation of the "13th Five-Year Plan". Integrated improvement planning of the treatment of rural environment also commenced its implementation. This regulates emissions through legislation, policy and planning, which fosters the healthy development of the environmental protection industry. On the other hand, unprecedentedly huge efforts have been put into environmental inspection. The "three major wars" on water, soil and air pollution treatment are well under way, which aim at providing a better environment for the public with concrete actions, creating more room for the development of environmental protection enterprises.

The siege of household waste has become one of the most urgent environmental problems in China. Waste-to-energy is of great significance to resolving this problem and to building a Beautiful China. The year 2017 marked the first year of the implementation of the "13th Five-Year Plan" for National Construction Plan for Municipal Waste Detoxification Treatment Facilities (《「十三五」全國城鎮生活垃圾無害化處理設施建設規劃》). China's waste-to-energy industry continued to see stable growth, with a batch of waste-to-energy plants having completed their construction and commenced operation and another batch of new projects being introduced to the market, including both newly-constructed waste-to-energy plants and the expansion of existing waste-to-energy plants. Meanwhile, companies have also been developing their business in the overseas markets such as Southeast Asia and South Asia, showing a new growth trend of the industry.

BUSINESS REVIEW

In 2017, the Group overcame difficulties with collaborative efforts, delivering fresh achievements in all aspects. With the Jurong Project, Ninghe Straw-fed Project and Bengbu Project beginning to supply electricity to the grid, the Group had thirteen projects up and running with a daily processing capacity exceeding 10,000 tons per day, placing the Group in a leading position in the industry. Those projects had not only "maintained stable operation and complied with emission standards", but also had delivered the new highs in volume of waste treatment and on-grid electricity. The projects under construction were on track. The Miyun Project, the Shantou Project, the Zhangqiu Project and the Bobai Project commenced construction one after another. Excellent results had been achieved in project expansion. Technological innovation achieved new progress and quality of management continued to improve.

In order to facilitate the listing of the Company's A-share, the financial statements of the Company for 2017 were prepared in accordance with the China Accounting Standards for Business Enterprises and construction income is no longer recognized. In 2017, the Group achieved a revenue of approximately RMB784.84 million (representing an increase of 18% as compared to the same period last year), a total profit of approximately RMB255.69 million (representing an increase of 1% as compared to the same period last year), and a net profit of approximately RMB206.48 million (representing a decrease of 11% as compared to the same period last year). As at 31 December 2017, the total assets and a total equity of the Group amounted to approximately RMB6,810.14 million and approximately RMB2,234.64 million, respectively.

(1) Steady and safe operation of projects under operation, meeting environmental standards, treating an aggregate of 3.66 million tons of municipal solid waste and realizing 1,008 million kWh of on-grid electricity

In 2017, 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 the 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. China Association of Urban Environmental Sanitation (中國城市環境衛生協會) conferred the title "AAA Waste-to-energy Project" to our Taizhou Project, Wuhan Project and Huizhou Project, and "AA Waste-to-energy Project" to our Pingyang Project and Yongjia Project, while our Huizhou Project was awarded the "Quality Chinese Project for Electricity Engineering Award" (中國電力優質工程獎) and the "National Quality Project Award" (國家優質工程獎).

In 2017, the Group treated 3.66 million tons (inclusive of landfill) of municipal solid waste, representing an increase of 16% as compared to the same period in 2016. In 2017, the Group realized on-grid electricity of 1,008 million kWh, representing growth of 31% as compared to the same period in 2016. As at the end of 2017, the daily processing capacity of the Group's waste incineration was 10,460 tons.

(2) Projects under construction on track, Jurong Project, Bengbu Project and Ninghe Straw-fed Project put into operation, Miyun Project, Shantou Project, Zhangqiu Project and Bobai Project commencing construction successively, and project preparation work with steady progress

In 2017, the Group had seven projects under construction, which progressed smoothly. The Jurong Project, the Ninghe Straw-fed Project and the Bengbu Project were put to test operation in April, October and November 2017, respectively. 56%, 74%, 52% and 11% of the construction works of the Ninghe Biomass Project, the Tongzhou Project, the Miyun Project and the Shantou Project were completed, respectively. The Zhangqiu Project and the Bobai Project commenced pile-foundation construction. The preparation work of projects in Yichun and Hong'an made steady progress.

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

Attaching great importance to project development, the Group expanded its market development team and adjusted its market expansion strategy. While continuously developing new waste-to-energy projects, the Group also actively expanded its scope of solid waste treatment and searched for new development opportunities. In 2017, the Group entered into new contracts for projects in Tongzhou (Phase II), Yongjia (Phase II), Yijun in Shaanxi and Fengcheng in Jiangxi, securing operating rights to treat additional 4,250 tons of municipal solid waste per day. On 14 December 2017, the Company entered into an equity transfer agreement with an independent third party for the proposed acquisition of 80% of equity interest in Lvyi (Huludao) Environmental Services Limited* (綠益(葫蘆島)環境服務有限公司), marking an official start of its expansion into the hazardous waste sector.

With regard to financing, the Group entered into an agreement with Asian Development Bank to obtain a Class-B loan of US$100 million (equivalent to RMB622.99 million) and secured fixed asset loans of RMB174 million, which gave the Group access to new composite credit facilities amounting to RMB1,400 million and HK$110 million in aggregate.

With regard to technology research and development, the Group strengthened its teambuilding in technology research and development and established a system for technological innovation. The Group carried out the research and development of a 600-ton large grate incinerator based on the design principles of standardization, modularization and three-dimensionalization. Recently, the design work has been completed, achieving a leading position in China in terms of the level of technology.

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

In respect of human resources, the Group established a talent pool for the waste-to-energy industry and continued to improve its brand image. The Group recruited 494 employees (including 11 individuals for mid-level management of the Group) during the year. The Group continued to enhance its appraisal system and fine-tune its appraisal indicators by adjusting the appraisal measures for key positions in order to ensure the pertinence and effectiveness of the incentive appraisal system. The selection process and training of prospective managers were also strengthened.

As at 31 December 2017, the Group had a total of 1,466 staff members.

In respect of internal control, the Group continued to improve its internal control system to lay a solid foundation for its rapid development. According to the "Management Measures on Internal Control Evaluation", the Group carried out self-reviews of its internal control system periodically. With a view to minimizing its legal risks, the Group also strengthened its management of legal affairs so that legal professionals could participate more in the operations and management of the Group. Pursuant to the requirements for listed companies in Hong Kong, the Group formulated its internal audit plans and conducted internal audits accordingly. 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 2017, 26 new patent applications were made and 11 new patents were granted. As at the end of 2017, the Group had 9 invention patents and 34 utility model patents in total.

BUSINESS OUTLOOK

Industry Prospects

The report of the 19th National Congress of the Communist Party of China gave a blueprint for building a Beautiful China and formulated a series of plans for environmental protection and building ecological civilization, thus providing sound policy support for the long-term development of the waste-to-energy industry.

According to the "13th Five-Year Plan" for Nationwide Integrated Treatment of Rural Environment (《全國農村環境綜合整治「十三五」規劃》) promulgated in February 2017, there is a serious shortage of environmental protection infrastructure in rural China, as 40% of administrative villages still do not have waste collection and treatment facilities, and 78% of administrative villages have yet to establish sewage treatment facilities. Hence, the problem of "dirtiness, disorderliness and deficiency" persists in the rural environment. The plan has put forward that during the 13th Five- Year Plan period, an emphasis will be placed on treating the pollution caused by rural household waste and sewage in the regions with high concentration of villages and large populations. The plan also points out that each administrative county should execute unified planning, construction and management for rural household waste and sewage systems. Areas with better resources should take the initiative to extend the facilities and services of municipal solid waste and sewage treatment to the rural area. Furthermore, the plan has indicated a clear direction of developing the household waste treatment in rural China, thus opening up new markets for waste treatment businesses.

In March 2017, the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development jointly formulated the "Implementation Plan for Domestic Waste Classification System" (《生活垃圾分類制度實施方案》), which requires that basic standards and systems for waste classification shall be established by the end of 2020 to form a replicable and promotable household waste classification system. The recycling rate of household waste shall reach over 35% in cities where mandatory classification of household waste is implemented. The classification of household waste will transform the waste treatment industry.

In July 2017, the Ministries of Finance, Housing and Urban-Rural Development, Agriculture, and Environmental Protection jointly published the "Notice on Comprehensive Implementation of the PPP Model in Sewage and Waste Treatment Projects Participated by the Government" (《關於政府參與的污水、垃圾處理項目全面實施PPP模式的通知》), which requires comprehensive implementation of the PPP model in new sewage and waste treatment projects that are participated by the government. The existing projects are required to transition into PPP-model in an orderly manner. Local governmental budges shall provide active support to the comprehensive implementation of the PPP model in sewage and waste treatment. The adoption of PPP model spills over from new projects to existing projects, presenting new opportunities for the waste treatment industry.

Therefore, the coming years will continue to be a period with significant opportunities for the development of the waste-to-energy industry in China.

Prospects of the Company

The waste treatment industry still enjoys a huge market with increasingly fierce competition. By fully leveraging its advantages in talent, branding, technology and economies of scale, and closely following the direction of national policy, the Group will continue to penetrate into the waste-to-energy industry and make every attempt to develop new projects while pushing forward the expansion of the existing projects. At the same time, the Group will also accelerate the preparation work of the contracted projects in order to form a sustainable cycle of project development, project construction and project operation, so as to solidify the Group's leading position in the waste-to-energy industry. The Company will continue to progress its A-share IPO, striving for its entry into the domestic capital market as soon as possible so as to enhance the Group's influence and its sustainable growth capability. Meanwhile, the Group will deliver effective corporate governance, better internal control, higher efficiency and a sound foundation in order to reward the trust and support of shareholders with excellent results.

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 and 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.

In addition, after the submission of application materials for the proposed A-share issuance to the China Securities Regulatory Commission ("**CSRC**") in June 2016, the Group will continue to prepare its A-share listing in China. Furthermore, the original resolution in respect of the full authorization for the Board to deal with matters in relation to the issue and listing of A-Share expired on 17 April 2017. The validity period of such resolution was extended to 26 February 2018 as approved by the shareholders at the First Extraordinary General Meeting for the year 2017, the First Class Meeting for Holders of Domestic Shares for the year 2017 and the First Class Meeting for Holders of H Shares for the year 2017 convened by the Company on 27 February 2017. The validity period of such resolution was again extended to 25 February 2019 as approved by the shareholders at the First Extraordinary General Meeting for the year 2018, the First Class Meeting for Holders of Domestic Shares for the year 2018 and the First Class Meeting for Holders of H Shares for the year 2018 convened by the Company on 26 February 2018. For details, please refer to the circular of the Company dated 10 January 2018 and the announcement dated 26 February 2018.

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 waste-to-energy industry, economic conditions in the geographic area of proposed projects of the Group, government policies for the waste-to-energy industry, the availability of credit facilities from banks and other lenders and the performance of operational waste-to-energy 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 in projects. The construction of a waste-to-energy 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, strikes 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. 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 waste-to-energy plants and provide auxiliary services such as waste water treatment for waste-to-energy 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 direct the risk of having a single supplier. The Group has also established a sound supplier information management system and searches for supplier information through various channels, so as to reduce the influence of information uncertainty on the supplier selection process.

(4) Risks relating to waste supply. The operating income of each of waste-to-energy 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 operating income and efficiency of our waste-to-energy plants.

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 municipal solid 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 Net Profit

For the year ended 31 December 2017, the Group achieved an operating income of RMB784,839,000 and net profit of RMB206,477,000. As at 31 December 2017, the Group's total assets and total liabilities amounted to RMB6,810,136,000 and RMB4,575,496,000 respectively. The total equity amounted to RMB2,234,640,000 and the gearing ratio (calculated as total liabilities over total assets) was 67%, and the net asset value per share attributable to the shareholders of the Company was RMB2.14.

Revenue Analysis

During the reporting period, the Group achieved an operating income of RMB784,839,000 (2016: RMB664,335,000), representing an increase of 18% as compared to 2016. The increase was mainly due to an increased number of operating projects.

In particular, operating income from waste-to-energy projects amounted to RMB617,771,000 (2016: RMB521,088,000), representing an increase of 19% as compared to 2016, mainly due to an increase in the number of operating projects. Interest income amounted to RMB167,068,000 (2016: RMB143,247,000), representing an increase of 17% as compared to 2016. The increase was mainly due to the substantial increase in interest income recognized by using effective interest method as a result of the substantial increase in the long-term receivables recognized based on the completion percentage for the construction of waste-to-energy projects, e.g., the Tongzhou Project.

Other Income

During the reporting period, other income of the Group amounted to RMB79,533,000 (2016: RMB0), mainly due to the change in recognition of government grants related to ordinary activities from non-operating income to other income under the income statement from 1 January 2017 according to the amended Accounting Standards for Business Enterprises No. 16—Government Grants issued by the Ministry of Finance in 2017 since 12 June 2017.

Gross Profit and Gross Profit Margin

During the reporting period, the gross profit of the Group increased by 11% to RMB458,526,000 (2016: RMB413,100,000) and the consolidated gross profit margin was 58% (2016: 62%), mainly because (1) Changzhou Company and Wuhan Company were included in the directory of renewable energy subsidies in 2016 and obtained a subsidy income of approximately RMB32.21 million for years preceding 2016, where such income did not have corresponding operating cost during 2016; (2) Jurong Project and Ninghe Straw-fed Project were at the preliminary stage of operation and have not reached their designated capacity, so the gross profit margin was low or even negative.

Administrative Expenses

In 2017, the administrative expenses of the Group amounted to approximately RMB107,357,000 (2016: RMB96,158,000), which accounted for approximately 14% (2016: 14%) of the operating income of Group. The administrative expenses remained stable as compared to the previous year.

Finance Costs

For the year ended 31 December 2017, the finance costs for the Group amounted to RMB152,937,000, representing an increase of approximately RMB32,828,000 over the previous year. This was mainly due to an increase in bank borrowings as the construction projects required a huge amount of capital.

Total Profit

During the reporting period, the total profit of the Group amounted to RMB255,685,000, representing an increase of approximately RMB2,328,000 as compared to 2016, which was mainly due to an increase in operating income and value-added tax refund.

Income Tax

In 2017, the income tax expenses of the Group amounted to approximately RMB49,208,000 (2016: RMB22,362,000), accounting for approximately 19% (2016: 9%) of total profit of the Group. The ratio of income tax expenses to total profit increased mainly because (1) both Rushan Company and Anshun Company recorded gains in 2016 and used some tax losses from prior years. Meanwhile, the management recognized deferred income tax asset in respect of the tax loss of Rushan Company and Anshun Company for prior years to reduce the income tax expenses in 2016; (2) income tax expenses in 2016 were reduced by the income tax refund received by some project companies, so the income tax expenses increased in 2017 as compared to 2016.

Total Comprehensive Income attributable to the Shareholders of the Company

During the reporting period, the total comprehensive income attributable to the shareholders of the Company was RMB200,693,000 (2016: RMB237,242,000). The decrease was mainly due to a decrease in net profit.

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 2017, the Group had cash and cash equivalents of approximately RMB665,292,000, representing an increase of RMB129,879,000 as compared to RMB535,413,000 at the end of 2016. The increase in cash balance was mainly attributable to the cash inflows generated from financing activities exceeding the cash outflows generated from project construction.

As at 31 December 2017, the Group's gearing ratio increased from 63% in 2016 to 67%. The increase was mainly due to an increase in borrowings.

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 provide returns for its shareholders while maintaining the best capital structure to reduce capital costs.

The Group makes use of its gearing ratio for the management of capital structure. The ratio is calculated based on the total liabilities.

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

Loans and Borrowings and Pledge of Assets

As of 31 December 2017, the Group had total outstanding borrowings of approximately RMB3,577,299,000, representing an increase of RMB954,754,000 as compared to RMB2,622,545,000 at the end of 2016. The borrowings included secured loans of RMB3,141,144,000 and unsecured loans of RMB436,155,000. 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 2017, the Group had composite banking credit facilities in the amount of RMB7,132,518,000, of which RMB2,534,454,000 had not been utilized. The composite banking 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, long-term receivables, long-term receivables due within one year, and accounts receivable) were pledged under the banking credit facilities. The book value of the pledged receivables and operating rights amounted to approximately RMB2,361,879,000 as at 31 December 2017.

Contingent Liabilities

The Company has issued financial guarantees to banks in respect of the banking credit facilities 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 2017 and 31 December 2016 under the guarantees was the credit facility drawn down by the subsidiaries of RMB2,310,027,000 and RMB1,629,457,000 respectively.

Commitments

As at 31 December 2017 and 31 December 2016, the Group's outstanding purchase commitments in relation to the infrastructure construction contracts which had been entered into and have been performing or have been ready to perform but had not been provided for in the Group's annual financial statements were RMB981,084,000 and RMB683,501,000 respectively.

The registration of Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd. (北京天能神創環保有限公司) and Shenzhen Truvalue-Dynagreen Investment Partnership (Limited Partnership) (深圳市創金綠動投資有限合夥企業(有限合夥)), which both were our associates, was cancelled in 2017.

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

	2017 RMB'000	2016 RMB'000
Within 1 year	940	530

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. 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

On 14 December 2017, the Company and an independent third party entered in to an equity transfer agreement, pursuant to which, the Company shall acquire 80% of the equity interests in Lvyi (Huludao) Environmental Services Limited* (綠益(葫蘆島)環境服務有限公司) at a consideration of RMB90 million. During the year ended 31 December 2017, the acquisition was not yet completed. Save for the aforesaid acquisition, 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 2017, 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 had no plan for material investment or acquisition of capital assets. However, 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 2017, the Group had a total of 1,466 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 various kinds of training, including 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.

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 55, is the Chairman of the Board and became a non-executive Director of the 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 and 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 Beijing 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 Strategy Committee of the Company.

Mr. GUO Yitao (郭燚濤), aged 45, became a non-executive Director of the 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 center, 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 49, became a non-executive Director of the 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. FENG Changzheng (馮長征), aged 48, became a non-executive Director of the Company on 9 June 2017. He served at the senior management of Shandong Weifang Huaguang Electronic Information Industry Group Corporation (山東濰坊華光電子信息產業集團公司) from July 1991 to March 1996. From March 1996 to August 2001, Mr. FENG served as the director of Shandong Lufang Technology Development Center (山東魯紡科技開發中心). From April 2003 to February 2017, Mr. FENG served as a project manager, deputy manager of investment department, manager of investment department and deputy general manager of Beijing Industrial Developing Investment Management Co., Ltd. (北京工業發展投資管理有限公司). Mr. FENG served as the deputy general manager of the urban function and social investment department of Beijing State-owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司) from February 2017 and was promoted to general manager since June 2017. Mr. FENG graduated from Lanzhou University (蘭州大學) in July 1991 with a Bachelor's degree in electronic and information technology system. He also obtained a Master's degree in business administration and a Doctoral degree in corporate management from the School of Business of Renmin University of China (中國人民大學商學院) in April 2003 and June 2006, respectively. Mr. FENG is a member of the Audit Committee and the Nomination Committee of the Company.

Executive Directors

Mr. QIAO Dewei (喬德衛), aged 51, became an executive Director on 11 April 2012 and is the General Manager of the 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 the Company. Between September 2008 and April 2009, Mr. QIAO worked as the acting general manager of the Company, and has worked as the General Manager of the Company since April 2009. Mr. QIAO was a Director of the Company from September 2005 to May 2011, and has also been a Director of the 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 furthered his studies in a learning project under the postgraduate course in Financial Management at Tsinghua University, and obtained his Executive Master of Business Administration degree from Peking University in July 2013. Mr. QIAO qualified as an accountant, the certificate of which was 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 the Company through Gongqingcheng Jingxiu Investment Partnership (Limited Partnership).

Mr. HU Shengyong (胡聲泳), aged 48, 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), Haining Dynagreen Renewable Energy Co., Ltd. (海寧綠色動力再生能源有限公司), Yichun Dynagreen Renewable Energy Co., Ltd. (宜春綠色動力再生能源有限公司) and Wenzhou Dynagreen Renewable Energy Co., Ltd. (溫州綠動環保能源有限公司), which are the subsidiaries of the Company.

Independent Non-executive Directors

Ms. CHEN Xin (陳鑫), aged 42, became an independent non-executive Director of the 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. From March 2008 to August 2017, 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 has also been a teacher at the University Of Chinese Academy of Social Sciences since September 2017. 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 68, was appointed as an independent non-executive Director of the Company on 22 January 2014. He resigned as an independent non-executive Director of the Company on 26 February 2018. Mr. KWAN joined Merrill Lynch & Co. Inc. 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), Panda Green Energy Group Limited (formerly known as 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 honors) 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 was the chairman of the Audit Committee and a member of the Nomination Committee of the Company before his resignation on 26 February 2018.

Mr. OU Yuezhou (區岳州), aged 67, 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.

Ms. FU Jie (傅捷), aged 39, was appointed as an independent non-executive Director of the Company on 26 February 2018. Ms. FU is a member of the China Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (ACCA). Ms. FU graduated with a bachelor's degree in economics with a Finance Major from Central University of Finance and Economics in 2000. Ms. FU worked for Ernst & Young Hua Ming LLP from August 2004 to March 2016, and served as the senior manager of audit department from October 2012 to March 2016. She participated in the audit work for a number of Hong Kong listed companies and A-share listed companies in China. She was the certified public accountant who signed the audit report of ZTE Corporation from 2012 to 2015. She was appointed as the chief financial officer of China U-Ton Holdings Limited (Stock Code: 6168) on April 2016 and is mainly responsible for the Company's financial management, investment and financing and investor relations. Ms. FU is the Chairman of the Audit Committee and a member of the Nomination Committee of the Company.

SUPERVISORY COMMITTEE

Mr. LUO Zhaoguo (羅照國), aged 40, is the chairman of the supervisory committee of the Company (the "**Supervisory Committee**") and became a Supervisor of the 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. CAI Binquan (蔡斌泉), aged 47, became a shareholder representative Supervisor of the Company on 9 June 2017, He served as the chairman of Langfang Jiuzhou Group (廊坊九州集團) from August 1993 to June 2005. From July 2005 to October 2007, Mr. CAI served as the chief executive director of Shuangquan Group Co., Ltd. (雙全集團有限公司). Mr. CAI has been serving as the chairman of Beijing Huitai Hengrui Investment Co., Ltd. (北京惠泰恒瑞投資有限公司) since November 2007.

Ms. WANG Meilin (王梅林), aged 33, became an employee representative Supervisor of the Company on 2 June 2017. She was a legal assistant at Guangdong Guanghe Law Firm (廣東廣和律師事務所) from July 2007 to January 2010. She served as a legal counsel at Zhong An Credit Venture Capital Limited (中安信業創業投資有限公司) in Shenzhen from February 2010 to October 2012. Since November 2012, she has successively worked as the legal counsel and legal manager of the Company. Ms. WANG Meilin graduated from Zhaoqing University (肇慶學院) in Guangdong with a Bachelor's Degree in Law in July 2007. Ms. WANG obtained the Qualification Certificate for Legal Professions (司法職業資格證書) awarded by the Ministry of Justice of the People's Republic of China in March 2013.

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 53, a Deputy General Manager of the 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 the Company from April 2000 to January 2010 and from January 2010 to April 2012 respectively, and has served as a Deputy General Manager of the 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 51, is a Deputy General Manager of the 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 the 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 the 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 the 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 59, is a Deputy Manager of the 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 the 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 the 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 49, is a Deputy Manager of the 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 the Company from March 2000 to August 2014. Since August 2014, Ms. ZHONG has served as the Deputy Manager of the 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. ZHANG Yong (張勇), aged 45, is the chairman of labor union, deputy general manager and manager of the president's office of the Company. Mr. ZHANG was a technical management staff of Sichuan Qingyan Machinery Plant (State-owned 5027 Plant) (四川慶岩機械廠(國營5027廠)) from July 1993 to July 1994; a resident representative at factory of New Power Tech (Shenzhen) Co., Ltd (力新科技(深圳)有限公司) from July 1994 to October 1996; vice manager, manager and assistant to general manager of the department of quality control of Weiyong Technology (Shenzhen) Co., Ltd (維用科技(深圳)有限公司) from October 1996 to May 2004; the operation support director (chief operating officer) of E-Bi International Supply Chain Management Co., Ltd (億柏國際供應鏈管理有限公司) from May 2004 to September 2006. Mr. ZHANG served as the deputy officer and officer of the president's office in the Company from September 2006 to March 2014; has been the chairman of labor union of the Company since February 2014; and served as the chief operating officer and manager of the president's office from March 2014 to December 2016. Since January 2017, he has been a deputy general manager and officer of the president's office of the Company. Mr. ZHANG graduated from Sichuan Normal College (四川師範學院) (now known as China West Normal University (西華師範大學)) with a Bachelor of Science in July 1993, and studied Business Administration in the Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟管理學院) from September 2002 to January 2005 and obtained his Master of Business Administration.

Mr. ZHU Shuguang (朱曙光), aged 42, is currently a deputy general manager, the Secretary of the Board, Authorized Representative and General Manager of the Legal Affairs Department of the 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 the Company from September 2010 to February 2017, and the Secretary of the Board from 3 December 2013 to present. Mr. ZHU has also concurrently served as the General Manager of the Legal Affairs Department of the Company from May 2015 to present, and has been the Deputy General Manager of the Company since January 2017. 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.

COMPANY SECRETARY

Mrs. SENG Sze, Ka Mee Natalia (沈施加美) is the chief executive officer of China and Hong Kong of Tricor Group, and also an executive director of Tricor Services Limited ("Tricor"). Mrs. SENG is also a practice leader of Tricor's Corporate 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 another term of two years (February 2018–January 2020). 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 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 2017.

PRINCIPAL ACTIVITIES

The Group is engaged in the investment, technical consulting, construction, operation and maintenance of waste-to-energy 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 regarding the principal businesses of our major subsidiaries are set out in note VII to the financial statements. Analysis of revenue by principal activities of the Group during the reporting period is set out in note V.33 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 our 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 income statement on page 65 to 66 of this annual report.

FINAL DIVIDEND

The Board has resolved that the recommendation to pay a final dividend of RMB0.1 (before tax) per share for the year ended 31 December 2017 be withdrawn. For details, please refer to the announcement of the Company published on 26 March 2018 regarding the withdrawal of the proposed 2017 final dividend.

AGM

The AGM of the Company will be held on Friday, 15 June 2018, 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 published in the last five financial years is set out on page 5 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 V.11 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the reporting period are set out in note V.28 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 or any of its subsidiaries.

CAPITAL RESERVE, OTHER COMPREHENSIVE INCOME AND SURPLUS RESERVE

Details of movements in the capital reserve, other comprehensive income and surplus reserve of the Group during the reporting period are set out in the consolidated statement of changes in equity in the financial statements on page 72 of this report.

UNDISTRIBUTED PROFITS

During the reporting period, the Company's undistributed profits available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to RMB511,374,000. In addition, none of the Company's share premium account is available for distribution as dividends by way of capitalization issues.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, sales to the Group's five largest customers accounted for 50.94% of the total sales for the reporting period and sales to the largest customer included therein amounted to 16.40%. Purchases from the Group's five largest suppliers accounted for 35.82% of the total purchases for the year and purchases from the largest supplier included therein amounted to 17.12% of the total purchases for the reporting period.

None of the Directors or any of their associates or any substantial 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

Relations 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.

Relations with suppliers

The Group mainly procures various kinds of 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 firefighting and safety production trainings. These measures can improve the production capacity and efficiency of the Group.

As at 31 December 2017, approximately 36% of the Company's employees are below 30 years of age, approximately another 36% between 31 to 40, approximately 22% between 41 to 50 and approximately 5% above 51.

DIRECTORS AND SUPERVISORS

The Directors during the reporting period are as follows:

Non-executive Directors

Mr. ZHI Jun *(Chairman)*
Mr. GUO Yitao
Mr. LIU Shuguang
Mr. MA Xiaopeng *(resignation with effect from 9 June 2017)*
Mr. FENG Changzheng *(appointment with effect from 9 June 2017)*

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 *(resignation with effect from 9 June 2017)*
Mr. CAI Binquan *(appointment with effect from 9 June 2017)*
Ms. HU Fang *(resignation with effect from 2 June 2017)*
Ms. WANG Meilin *(appointment with effect from 2 June 2017)*

Note: On 26 February 2018, Ms. FU Jie was appointed as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. On the same date, Mr. KWAN Kai Cheong resigned as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. For further details, please refer to the announcement of the Company dated 26 February 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and Senior Management are set out on pages 18 to 25 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2017, the Board 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 X.5(2)(a) and X.5(2)(b) to the financial statements.

The emoluments of the Directors are recommended by the remuneration and appraisal committee of the Company, and approved 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 2017, the interests and short positions of the Directors, Supervisors and the chief executives 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 2017.

(2) The calculation is based on the total number of 1,045,000,000 Shares in issue as at 31 December 2017.

(3) Gongqingcheng Jingxiu Investment Partnership (Limited Partnership) ("**Jingxiu Investment**", originally known as Shenzhen Jingxiu Investment Partnership (Limited Partnership)) 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 2017 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 2017 to 31 December 2017 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 2017, 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")	501,189,618 unlisted Shares (Long position)	Beneficial owner	78.23%	47.96%
Beijing State-owned Assets Management (Hong Kong) Company Limited ("BSAM (HK)")(3)	24,859,792 H Shares (Long position)	Beneficial owner	6.15%	2.38%
BSAM(3)	24,859,792 H Shares (Long position)	Interest in controlled corporation	6.15%	2.38%
National Council for Social Security Fund	32,314,000 H Shares (Long position)	Beneficial owner	7.99%	3.09%
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)(4)	49,725,295 unlisted Shares (Long position)	Beneficial owner	7.76%	4.75%
Beijing Green Innovation Investment Company Limited(4)	49,725,295 unlisted Shares (Long position)	Interest in controlled corporation	7.76%	4.75%

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 Zhixinheng Jin Investment Co., Ltd.[(4)]	49,725,295 unlisted Shares (Long position)	Interest in controlled corporation	7.76%	4.75%
Bai Hongtao[(4)]	49,725,295 unlisted Shares (Long position)	Interest in controlled corporation	7.76%	4.75%
Pan Ling[(4)]	49,725,295 unlisted Shares (Long position)	Interest in controlled corporation	7.76%	4.75%

Notes:

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 31 December 2017.

(2) The calculation is based on the total number of 1,045,000,000 Shares in issue as at 31 December 2017.

(3) 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.

(4) 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 2017, no other interests required to be recorded in the Register kept under Section 336 of the SFO have been notified to the Company.

Our non-executive Directors, Mr. ZHI Jun, Mr. MA Xiaopeng (resignation with effect from 9 June 2017), Mr. GUO Yitao and Mr. FENG Changzheng (appointment with effect from 9 June 2017), 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 2017, 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 X.5(1) 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.

Connected Transactions, Service Contracts and Related Party Transactions

Between November 2016 and May 2017, Huizhou Dynagreen Renewable Energy Co., Ltd. ("**Huizhou Dynagreen**"), a subsidiary of the Company, entered into the public display construction agreement ("**Public Display Construction Agreement**"), the supplemental public display construction agreement ("**Supplemental Public Display Construction Agreement**"), the interior decor and hardware installation agreement ("**Interior Decor and Hardware Installation Agreement**") and the digital media production agreement ("**Digital Media Production Agreement**") with Shenzhen Crystal Digital Technology Co., Ltd. ("**Shenzhen CDT**"), pursuant to which Shenzhen CDT agreed to provide Huizhou Dynagreen with the followings: (1) public display construction services for the Dynagreen Huiyang Environmental Park (Main Plant) Public Display Construction Project (綠色動力惠陽環境園(主廠房)宣傳展示施工項目); (2) additional public display construction services for the Dynagreen Huiyang Environmental Park (Main Plant) Public Display Construction Project (綠色動力惠陽環境園(主廠房)宣傳展示施工項目); (3)(i) provision of or assistance in sourcing hardware facilities of certain specifications in compliance with national standards, along with compatible software, and (ii) provision of interior decoration and construction services for the Huiyang Lanzilong Comprehensive Waste Treatment Project (惠陽區欖子壟垃圾綜合處理項目); (4)

provision of digital media content production services for the Huiyang Lanzilong Comprehensive Waste Treatment Project (惠陽區欖子壟垃圾綜合處理項目). Beijing BeiAo Group Co., Ltd. (北京北奧集團有限責任公司) ("Beijing BeiAo") was a wholly-owned subsidiary of BSAM (a Controlling Shareholder) and Shenzhen CDT was an indirect subsidiary of Beijing BeiAo. Therefore, Beijing BeiAo and Shenzhen CDT were connected persons of the Company and the transactions contemplated under the aforesaid Agreements constituted connected transactions of the Company pursuant to the Listing Rules. The amounts of consideration under the Public Display Construction Agreement, the Supplemental Public Display Construction Agreement, the Interior Decor and Hardware Installation Agreement and the Digital Media Production Agreement amounted to RMB272,283, RMB130,008.75, RMB6,180,000 and RMB1,793,600, respectively. For details of the transactions, please refer to the announcement of the Company dated 21 August 2017.

On 20 November 2017, Beijing Dynagreen Environment Co., Ltd. (北京綠色動力環保有限公司) ("**Beijing Dynagreen**"), a subsidiary of the Company, entered into the design agreement ("**Design Agreement**") and the promotional video agreement ("**Promotion Video Agreement**") with Beijing Crystal Digital Technology Co., Ltd. (北京水晶石數字科技有限公司) ("**Beijing CDT**"), pursuant to which Beijing CDT agreed to provide Beijing Dynagreen with the followings: (1) design services for an exhibition hall and chimney observation deck at the Beijing Tongzhou District Renewable Energy Power Plant and (2) producing a promotion video of the Group. Beijing CDT was a direct subsidiary of Beijing BeiAo. Therefore, Beijing BeiAo and Beijing CDT were connected persons of the Company and the transactions contemplated under the aforesaid Agreements constituted connected transactions of the Company pursuant to the Listing Rules. The amounts of consideration under the Design Agreement and the Promotion Video Agreement amounted to RMB450,000 and RMB330,000, respectively. For details of the transactions, please refer to the announcement of the Company dated 20 November 2017.

The related party transactions in relation to the emoluments of Directors, Supervisors and employees as disclosed in Note X.5(2) 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 X.5(1), X.5(5) and X.5(6) 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.

Save as disclosed above, none of the related party transactions of the Group for the reporting period disclosed in Note X.5 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

1. Acquisition

On 14 December 2017, the Company and Fan Jie (范杰), an individual, entered into an equity transfer agreement to acquire his 80% equity interest in Lvyi (Huludao) Environmental Services Limited* (綠益(葫蘆島)環境服務有限公司, hereinafter referred to as "Lvyi Environmental Services") at a consideration of RMB90 million. The acquisition consideration was determined with reference to the valuation report issued by Beijing Zhongheng Zhengyuan Assets Appraisal Co., Ltd.* (北京中恒正源資產評估有限責任公司) and the valuation was filed with BSAM. Lvyi Environmental Services, a project company registered for the construction and operation of the Huludao Industrial Waste Treatment and Disposal Center project by Fan Jie, was unrelated to the Company. From 2 January 2018 to 5 January 2018, Lvyi Environmental Services completed the procedures, among other things, of amendments to the Articles of Association, change of the board of directors, change of industrial and commercial registration and completion of asset transfer. On 5 January 2018, the Company paid partial consideration and obtained the control over Lvyi Environmental Services, which became a subsidiary of the Company since then.

2. Appointment of Directors and resignation of Directors

Ms. FU Jie was appointed as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Board at the First Extraordinary General Meeting of 2018 on 26 February 2018 and the term of office of Ms. FU commences from the date of approval at the EGM and will end on the expiration of the term of the second session of the Board (i.e. 19 June 2018). On 26 February 2018. Mr. KWAN Kai Cheong resigned as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Board.

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**") reviewed with the management and external auditor 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 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 2017, the Company 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 the Environmental Protection Law and the Standard for Pollution Control on the Municipal Solid Waste Incineration (GB 18485-2014) tightens the emission standards for waste-to-energy 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 system certification. It also takes into account the progress on achieving environmental protection goals in evaluating employee performance.

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

The Company plans to separately issue the Environmental, Social and Governance Report of the Company in May 2018. 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 China Accounting Standards for Business Enterprises. 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 CREDIT 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 2016. 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 2017 would not exceed RMB3,797.00 million. As at 31 December 2017, guarantee provided by the Company in respect of new banking facilities granted to its project companies amounted to RMB1,248.82 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, 16 May 2018 to Friday, 15 June 2018, 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, 15 May 2018, 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 2017, 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 until 22 December 2017. On 22 December 2017, the auditor of the Company changed from KPMG to KPMG Huazhen LLP.

KPMG Huazhen LLP will retire at the forthcoming AGM. A resolution for the reappointment of KPMG Huazhen LLP as the Company's auditor will be proposed at the forthcoming AGM of the Company.

ALIGNMENT IN THE DISCLOSURE OF FINANCIAL STATEMENTS IN ACCORDANCE WITH THE CASBE AND THE DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED UNDER IFRS IN 2016 AND FINANCIAL STATEMENTS UNDER CASBE

Reference is made to the announcement of the Company dated 31 October 2017 (the "**2017 Announcement**"), the circular dated 3 November 2017 and the poll results announcement of the 2017 second extraordinary general meeting dated 22 December 2017 in relation to, among others, the Proposed Change of Accounting Standard and the Proposed Amendments to the Articles of Association. Since 30 September 2017, the Company changed from preparing its overseas financial statements in accordance with the International Financial Reporting Standards to preparing its financial statements in accordance with the China Accounting Standards for Business Enterprises.

The differences are explained as follows:

(1) BOT/BT ITEMS

In the financial statements prepared under the China Accounting Standards for Business Enterprises, no BOT/BT construction revenue was recognized during the construction phase, intangible assets and financial assets were recognized based on the costs incurred and contract arrangement of each BOT/BT; in the financial statements prepared under the International Financial Reporting Standards, although no cash was received during the construction phase of BOT/BT projects, the Group recognized revenue from construction services when project construction commenced pursuant to the requirements of the prevailing accounting standards and the market practice in Hong Kong. The construction services provided by the Group were recognized at their fair value, with the corresponding amount recorded as intangible assets and financial assets.

(2) OTHERS

In order to conduct a more prudent implementation on the requirements of the China Accounting Standards for Business Enterprises with regard to provision estimate for bad debts and the amortization period for intangible assets, the Group made changes on the provision proportion for bad debts of accounts receivable and the amortization period for intangible assets — construction license with reference to the practice of the A-share listed companies in the same industry.

(3) The effects of the above changes on the consolidated financial statements for 2016 are as follows:

Item			Net profit attributable to Shareholders of the parent	Equity attributable to Shareholders of the parent
			2016	**At the end of 2016**
			RMB'0000	RMB'0000
Under the International Financial Reporting Standards (A)			35,646.23	274,174.74
Adjustments:				
1.	Impact of BOT/BT differences (B)		(17,436.60)	(86,793.62)
2.	Others (C)			
	Among which:	Provision for bad debts of accounts receivable	1.34	(581.26)
		Adjustments of amortization period for intangible assets — construction license	—	—
3.	Impact of the above matters on taxation (D)		4,888.59	22,564.86
Under the China Accounting Standards for Business Enterprises (E = A + B + C + D)			**23,099.57**	**209,364.72**

On behalf of the Board
ZHI Jun
Chairman

Shenzhen, the PRC
9 March 2018

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**") 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 9 March 2018, the Supervisory Committee convened a meeting, at which the 2017 financial statements of the Group and the independent auditor's report were reviewed and approved. The Supervisory Committee was of the opinion that the financial statements were prepared in accordance with the relevant accounting standards and fairly reflected the financial position 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, and carefully implemented all resolutions of the general meetings and the Board, and did not identify any breach of law, 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
9 March 2018

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 2017 to 31 December 2017 (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 Supervisors on whether they had complied with the Management Measures during the Reporting Period, and all of the Directors and Supervisors had confirmed that they had all complied with the Management Measures.

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

BOARD OF DIRECTORS

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

Non-executive Directors:

ZHI Jun *(Chairman)*
GUO Yitao
LIU Shuguang
FENG Changzheng *(Appointment with effect from 9 June 2017)*
MA Xiaopeng *(Resignation with effect from 9 June 2017)*

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 25 of the annual report for the year ended 31 December 2017.

Note: On 26 February 2018, Ms. FU Jie was appointed as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. On the same date, Mr. KWAN Kai Cheong resigned as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. For further details, please refer to the announcement of the Company dated 26 February 2018.

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

CHAIRMAN AND GENERAL MANAGER

The positions of the chairman and the 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/her 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 would be arranged and reading material on relevant topics would 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 2017, 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	✓	✓
LIU Shuguang	✓	✓
FENG Changzheng *(Appointment with effect from 9 June 2017)*	✓	✓
MA Xiaopeng *(Resignation with effect from 9 June 2017)*	✓	✓
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 Directors
Ma Xiaopeng *(Resignation with effect from 9 June 2017)*
Feng Changzheng *(Appointment with effect from 9 June 2017)*

The primary responsibilities of the Audit Committee include but are 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 six meetings to review interim financial results and reports for the six month ended 30 June 2017 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 50.

The Audit Committee also reviewed the financial results of the Group for the year ended 31 December 2017, considered the re-appointment of KPMG Huazhen LLP as the Company's external auditors in 2018 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 Director
Guo Yitao

The primary responsibilities of the Remuneration Committee include but are not limited to: (i) researching and recommending to the Board on the Company's remuneration structure and policy for all Directors, 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 once 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 50.

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 2017 is set out below:

Remuneration band(s) (HKD)	**Number of Individuals**
HKD1,000,001 to 1,500,000	3
HKD1,500,001 to 2,000,000	4
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 2017 are set out in note X.5(2) 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 Directors
Ma Xiaopeng *(Resignation with effect from 9 June 2017)*
Feng Changzheng *(Appointment with effect from 9 June 2017)*

The primary responsibilities of the Nomination Committee include but are 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 once 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. Feng Changzheng 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 50.

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
Liu Shuguang

Executive Director
Qiao Dewei

Independent non-executive Director
Ou Yuezhou

The primary responsibilities of the Strategy Committee include but are 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 the significant capital expenditure, investment and financing projects of the Company; and (iii) researching and recommending on the significant matters relating to the development of the Company.

During the Reporting Period, the Strategy Committee met twice 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 50.

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 2017 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	—	—	—	2	1	2	1	1
GUO Yitao	8	—	1	—	2	1	2	1	1
LIU Shuguang	8	—	—	—	1	—	2	1	1
MA Xiaopeng#	2	0	—	—	—	—	—	—	—
FENG Changzheng*	6	—	—	4	—	—	1	—	—
QIAO Dewei	8	—	—	—	2	1	2	1	1
HU Shengyong	8	—	—	—	—	1	2	1	1
CHEN Xin	8	—	1	6	—	—	—	—	—
KWAN Kai Cheong	8	1	—	6	—	—	—	—	—
OU Yuezhou	8	1	1	—	2	—	—	—	—

Resigned as non-executive Director with effect from 9 June 2017

* Appointed as non-executive Director with effect from 9 June 2017

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 2017.

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 54 to 60.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors (including KPMG (the outgoing auditor), KPMG Huazhen LLP (the current auditor) and other PRC auditors) in respect of audit services for the year ended 31 December 2017 amounted to RMB2,678,000, of which RMB2,300,000 is for audit services conducted under CASBE rendered by KPMG Huazhen LLP. For the year ended 31 December 2017, the Company incurred a total of RMB165,000 of fees for non-audit services provided by its external auditors relating to the production of the environmental, social and governance report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledge 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 2017.

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 2017.

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 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 2017, the risk management and internal control systems of the Company are effective and adequate.

COMPANY SECRETARIES

Mr. Zhu Shuguang resigned as the Company's joint company secretary on 25 October 2017. After Mr. Zhu's resignation, Mrs. Seng Sze, Ka Mee Natalia of Tricor Services Limited, a service provider, continues to act as the sole company secretary of the Company. The primary contact person of Mrs. Seng at the Company is Mr. Zhu Shuguang, the secretary of the Board.

Mr. Zhu Shuguang (resigned on 25 October 2017), the former joint company secretary and Mrs. Seng Sze, Ka Mee Natalia 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 amended its Articles of Association. Details of the amendments are set out in the circular dated 3 November 2017 to the shareholders. 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 2017, the Company had maintained a public float as required under the Listing Rules.

AUDITOR'S REPORT

All Shareholders of Dynagreen Environmental Protection Group Co., Ltd.:

I. OPINION

We have audited the accompanying financial statements of Dynagreen Environmental Protection Group Co., Ltd. ("the Company"), which comprise the consolidated and company balance sheets as at 31 December 2017, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2017, and the consolidated and company financial performance and cash flows of the Company for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

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

III. KEY AUDIT MATTERS (Continued)

Recognition of financial assets and intangible assets relating to service concession arrangements

Refer to Note III.15 and III.20 of Significant Accounting Policies and Accounting Estimates and Note V.9 and V.12 of Notes to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Company and its subsidiaries ("the Group") has entered into service concession arrangements with different local governments in China ("the grantor") in respect of its waste-to-energy ("WTE") projects on a Build-Operate-Transfer ("BOT") basis. Under the service concession arrangements, the Group builds WTE plants (construction period) and operates these WTE plants (operation period) for a concession period of 23 to 30 years. Upon the expiry of the concession period, the Group would transfer these WTE plants to respective grantor without consideration. The terms of the service concession arrangements allow the Group to earn waste treatment fees and electricity tariffs for the processing of waste and generation of electricity. In addition, the grantors agree to pay the Group minimum service income, representing a fixed guaranteed minimum amount of waste (tons per annum) that will be treated at a fixed price or a fixed price subject to adjustment according to prevailing market price ("minimum service income"), during the concession period.	Our audit procedures to assess recognition of financial assets and intangible assets relating to service concession arrangements included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal controls over recognition of financial assets and intangible assets relating to service concession arrangements; • understanding 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; • verifying if the guaranteed minimum waste amount used by management in computing of financial assets are in line with relevant terms under the arrangements; • verifying if the actual waste amount of each BOT projects in operation exceed the guaranteed minimum waste amount by checking, on a sample basis, to the actual waste amount in the monthly waste treatment statements which are signed by BOT projects entities and its grantors;

III. KEY AUDIT MATTERS (Continued)

Recognition of financial assets and intangible assets relating to service concession arrangements (Continued)

Refer to Note III.15 and III.20 of Significant Accounting Policies and Accounting Estimates and Note V.9 and V.12 of Notes to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group recognises financial assets during construction period to the extent that the construction costs are recoverable from the minimum service income generated during the concession period. The excess of total construction costs over the minimum service income are recognised as intangible assets (WTE project operating rights). Financial assets and intangible assets are recognised based on the stage of completion of each project at the reporting date, which is estimated based on the percentage of costs incurred to date to the budgeted construction costs for each project. The budgeted construction costs are estimated principally on the costs of raw materials and equipment, other relevant costs and market conditions. We identified the recognition of financial assets and intangible assets relating to service concession arrangements as a key audit matter because of its financial significance to the financial statements and the significant judgement required to be exercised in estimating the budgeted construction costs and the stage of completion of construction work for each project which could be subject to management bias.	• conducting site visits to significant construction projects and performing discussions with project manager and site personnel to understand the construction progress of BOT projects ; • discussing and understanding management's estimates for total budgeted costs for BOT projects under construction in the current year by comparison with prior years' projects with similar waste treatment capacities 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 if applicable, and comparing, on a sample basis, the actual costs incurred to date with relevant underlying documents, including suppliers' contracts, payment records and supervision reports, to assess whether the recorded contract progress was consistent with the terms of the contracts, the payments made to date and the surveyors' reports.

III. KEY AUDIT MATTERS (Continued)

Assessing potential impairment of intangible assets relating to service concession arrangements

Refer to Note III.17 of Significant Accounting Policies and Accounting Estimates and Note V.12 of Notes to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Intangible assets mainly 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.	Our audit procedures to assess potential impairment of intangible assets relating to service concession arrangements included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal control, over impairment of intangible assets relating to service concession arrangements; • inquiring the management of the criteria adopted for identifying indicators of impairment for waste-to-energy operating projects so as to assess if all BOT projects with indicators of impairment are identified by management; • evaluating management's discounted cash flow forecasts for each waste-to-energy operating rights by comparing the key assumptions adopted by management with the future prospects of the business, the budgets approved by management and the external data, in particular, for the assumptions relating to the revenue growth rate over the concession period and the amount of future operating costs; • comparing the key assumptions and estimates included in the discounted cash flow forecasts for each operating right as projected by management in previous year with the 2017 actual results and inquiring management of the reasons for any differences between the forecast and actual figures to assess whether there were any indicators of management bias;

III. KEY AUDIT MATTERS (Continued)

Assessing potential impairment of intangible assets relating to service concession arrangements (Continued)

Refer to Note III.17 of Significant Accounting Policies and Accounting Estimates and Note V.12 of Notes to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
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. We identified assessing potential impairment of intangible assets relating to service concession arrangements as a key audit matter because determining the level of impairment involves a significant degree of management judgement, in particular in estimating the present value of future cash flows forecasts, which is inherently uncertain and could be subject to management bias.	• 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; and assessing whether the discount rates applied were within the range adopted by other companies in the same industry; • assessing the sensitivity of key assumptions 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 financial statements in respect of the impairment of intangible assets relating to service concession arrangements, with reference to the requirements of the prevailing accounting standards.

IV. OTHER INFORMATION

The Company's management is responsible for the other information. The other information comprises all the information included in 2017 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

(1) Identify and assess the risks of material misstatement of the 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.

(2) 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.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

(4) Conclude on the appropriateness of management's 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 Company'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 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 Company to cease to continue as a going concern.

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

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People's Republic of China

Fong Kwin (Engagement Partner)

Li Li

Beijing, China
9 March 2018

CONSOLIDATED
BALANCE SHEET

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note	2017	2016
ASSETS			
Current assets:			
Cash at bank and on hand	V.1	694,492,369.22	581,604,896.93
Bills receivable	V.2	1,188,000.00	400,000.00
Accounts receivable	V.3	137,882,371.30	113,670,196.66
Prepayments	V.4	10,665,860.03	11,380,569.58
Other receivables	V.5	43,025,535.20	73,955,892.94
Inventories	V.6	13,468,671.92	31,927,426.51
Long-term receivables due within one year	V.7	60,253,469.54	40,358,545.15
Other current assets	V.8	73,146,086.71	51,344,408.65
Total current assets		1,034,122,363.92	904,641,936.42
Non-current assets:			
Long-term receivables	V.9	2,851,455,610.55	2,296,352,806.30
Long-term equity investments	V.10	—	3,500,000.00
Fixed assets	V.11	11,222,619.07	10,217,407.77
Intangible assets	V.12	2,250,956,146.38	1,870,489,489.78
Long-term deferred expenses	V.13	1,252,282.08	1,606,167.48
Deferred tax assets	V.14	145,490,684.33	140,130,181.51
Other non-current assets	V.15	515,636,575.91	385,596,706.24
Total non-current assets		5,776,013,918.32	4,707,892,759.08
Total assets		6,810,136,282.24	5,612,534,695.50
Liabilities and shareholders' equity			
Current liabilities:			
Short-term loans	V.16	310,154,600.00	310,000,000.00
Accounts payable	V.17	480,416,745.67	364,475,188.35
Advances from customers	V.18	868,370.67	16,921,505.91
Employee benefits payable	V.19	52,761,417.16	48,393,681.39
Taxes payable	V.20	33,956,573.83	45,733,577.11
Interest payable	V.21	10,553,478.35	9,181,764.26
Dividends payable	V.22	1,287,651.80	—
Other payables	V.23	38,849,745.68	30,362,589.47
Non-current liabilities due within one year	V.24	364,932,684.97	329,972,724.44
Deferred income	V.27	666,666.68	666,666.68
Total current liabilities		1,294,447,934.81	1,155,707,697.61

CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note	2017	2016
Non-current liabilities:			
Long-term loans	V.25	**2,914,085,622.20**	1,993,700,985.73
Long-term payables	V.26	**319,693,175.61**	331,567,579.04
Deferred tax liabilities	V.14	**29,602,706.45**	16,577,899.26
Deferred income	V.27	**17,666,666.72**	18,333,333.36
Total non-current liabilities		**3,281,048,170.98**	2,360,179,797.39
Total liabilities		**4,575,496,105.79**	3,515,887,495.00
Shareholders' equity:			
Share capital	V.28	**1,045,000,000.00**	1,045,000,000.00
Capital reserve	V.29	**628,984,641.83**	628,984,641.83
Other comprehensive income	V.30	**(10,098,220.33)**	(4,313,765.13)
Surplus reserve	V.31	**56,379,717.24**	33,507,805.71
Retained earnings	V.32	**511,374,037.71**	390,468,518.09
Total equity attributable to shareholders of the company		**2,231,640,176.45**	2,093,647,200.50
Non-controlling interests		**3,000,000.00**	3,000,000.00
Total shareholders' equity		**2,234,640,176.45**	2,096,647,200.50
Total liabilities and shareholders'equity		**6,810,136,282.24**	5,612,534,695.50

These financial statements were approved by the board of directors on 9 March 2018.

Qiao Dewei	**Hu Shengyong**	**Liu Li**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 74 to 197 form part of these financial statements.

COMPANY
BALANCE SHEET

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note	2017	2016
ASSETS			
Current assets:			
Cash at bank and on hand		**132,881,313.36**	144,756,347.71
Accounts receivable	XV.1	**23,432,152.99**	118,121,063.00
Prepayments		**3,903,404.82**	894,365.87
Interest receivable		**20,899,731.15**	14,494,899.93
Dividends receivable		**—**	11,000,000.00
Other receivables	XV.2	**206,147,678.18**	122,003,054.49
Inventories		**—**	21,846,803.42
Long-term receivables due within one year		**75,203,703.66**	30,000,000.00
Other current assets		**8,584,557.51**	2,422,529.70
Total current assets		**471,052,546.67**	465,539,064.12
Non-current assets:			
Long-term receivables	XV.3	**386,516,296.34**	522,220,000.00
Long-term equity investments	XV.4	**2,517,058,660.24**	2,248,558,660.24
Fixed assets		**1,573,002.58**	1,371,563.32
Intangible assets		**137,858.73**	165,879.93
Long-term deferred expenses		**—**	15,054.61
Deferred tax assets		**578,627.50**	201,935.69
Total non-current assets		**2,905,864,445.39**	2,772,533,093.79
Total assets		**3,376,916,987.06**	3,238,072,157.91
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans		**260,000,000.00**	413,000,000.00
Accounts payable		**5,308,301.28**	4,512,750.36
Advances from customers		**19,059,400.00**	27,959,999.91
Employee benefits payable		**12,595,926.45**	12,486,667.08
Taxes payable		**1,705,182.51**	10,514,285.08
Interest payable		**8,330,114.40**	20,094,716.94
Dividends payable		**1,287,651.80**	—
Other payables		**13,309,379.97**	47,539,873.71
Long-term loans due within one year		**87,945,661.34**	164,698,412.67
Total current liabilities		**409,541,617.75**	700,806,705.75

COMPANY BALANCE SHEET (CONTINUED)

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note	2017	2016
Non-current liabilities:			
Long-term loans		**869,670,925.57**	605,580,123.72
Total non-current liabilities		**869,670,925.57**	605,580,123.72
Total liabilities		**1,279,212,543.32**	1,306,386,829.47
Shareholders' equity:			
Share capital	V.28	**1,045,000,000.00**	1,045,000,000.00
Capital reserve	XV.5	**676,346,635.50**	676,346,635.50
Surplus reserve	V.31	**56,379,717.24**	33,507,805.71
Retained earnings	XV.6	**319,978,091.00**	176,830,887.23
Total shareholders' equity		**2,097,704,443.74**	1,931,685,328.44
Total liabilities and shareholders' equity		**3,376,916,987.06**	3,238,072,157.91

These financial statements were approved by the board of directors on 9 March 2018.

Qiao Dewei	**Hu Shengyong**	**Liu Li**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 74 to 197 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

		Note	2017	2016
I.	**Operating income**	V.33	**784,838,548.26**	664,334,974.80
II.	Less: Operating costs	V.33	**(326,313,088.42)**	(251,235,360.41)
	Taxes and surcharges	V.34	**(19,367,689.62)**	(15,457,463.75)
	General and administrative expenses	V.35	**(107,357,199.28)**	(96,157,700.50)
	Financial expenses	V.36	**(152,936,907.18)**	(120,108,412.58)
	(Impairment losses)/reversal of impairment losses of assets	V.37	**(3,477,186.12)**	1,057,294.58
	Add: Other income	V.38	**79,532,656.97**	—
III.	**Operating profit**		**254,919,134.61**	182,433,332.14
	Add: Non-operating income	V.39	**1,789,272.61**	71,125,239.04
	Less: Non-operating expenses	V.40	**(1,022,916.59)**	(200,959.54)
IV.	**Profit before income tax**		**255,685,490.63**	253,357,611.64
	Less: Income tax expenses	V.41	**(49,208,059.48)**	(22,361,920.73)
V.	**Net profit**		**206,477,431.15**	230,995,690.91
	Net profit attributable to shareholders of the company		**206,477,431.15**	230,995,690.91
	Non-controlling interests		**—**	—
VI.	**Other comprehensive income, net of tax**			
	Other comprehensive income attributable to shareholders of the company, net of tax			
	Other comprehensive income that may be reclassified subsequently to profit or loss			
	Translation differences arising from translation of foreign currency financial statements	V.30	**(5,784,455.20)**	6,246,068.49
	Other comprehensive income attributable to non-controlling interests, net of tax		**—**	—

for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	2017	2016
VII. Total comprehensive income		**200,692,975.95**	237,241,759.40
Total comprehensive income attributable to shareholders of the company		**200,692,975.95**	237,241,759.40
Total comprehensive income attributable to non-controlling interests		**–**	–
VIII. Earnings per share			
(I) Basic earnings per share	V.42	**0.20**	0.22
(II) Diluted earnings per share	V.42	**0.20**	0.22

These financial statements were approved by the board of directors on 9 March 2018.

Qiao Dewei *Authorised Representative* *(Signature and stamp)*	**Hu Shengyong** *Chief Financial Officer* *(Signature and stamp)*	**Liu Li** *Chief Accountant* *(Signature and stamp)*	(Company stamp)

The notes on pages 74 to 197 form part of these financial statements.

COMPANY
INCOME STATEMENT

for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

		Note	2017	2016
I.	**Operating income**	XV.7	**119,671,284.43**	157,460,615.66
II.	Less: Operating costs	XV.7	**(32,038,937.85)**	(7,131,320.11)
	Taxes and surcharges		**11,966.92**	(1,464,080.85)
	General and administrative expenses		**(41,289,894.65)**	(36,040,678.87)
	Financial expenses		**(59,384,257.48)**	(68,118,361.77)
	(Impairment losses)/reversal of impairment losses of assets		**(2,511,278.70)**	728,354.76
	Add: Investment income	XV.8	**245,976,508.81**	76,244,490.22
	Including: Income from investment in an associate		**—**	—
	Other income		**23,368.35**	—
III.	**Operating profit**		**230,458,759.83**	121,679,019.04
	Add: Non-operating income		**333,182.25**	286,441.46
	Less: Non-operating expenses		**(18,000.00)**	(14,464.08)
IV.	**Profit before income tax**		**230,773,942.08**	121,950,996.42
	Less: Income tax expenses		**(2,054,826.78)**	(10,691,743.24)
V.	**Net profit**		**228,719,115.30**	111,259,253.18
VI.	**Other comprehensive income, net of tax**		**—**	—
VII.	**Total comprehensive income**		**228,719,115.30**	111,259,253.18

These financial statements were approved by the board of directors on 9 March 2018.

Qiao Dewei	**Hu Shengyong**	**Liu Li**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 74 to 197 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note	2017	2016
I. Cash flows from operating activities:			
Cash received from sale of goods, rendering of services and the Build-Operate-Transfer ("BOT") projects and the Build-Transfer ("BT") projects	V.44(5)	**941,622,039.04**	801,858,801.66
Refund of taxes		**79,631,993.44**	65,251,906.07
Refund of income tax		**–**	7,396,166.22
Cash received from other operating activities	V.44(1)	**63,453,938.59**	145,320,667.82
Sub-total of cash inflows from operating activities		**1,084,707,971.07**	1,019,827,541.77
Cash paid for goods and services		**(270,387,546.44)**	(118,237,556.20)
Increase of principal of BOT and BT long-term receivables	V.44(5)	**(636,327,960.41)**	(409,977,326.93)
Cash paid to and for employees		**(200,346,622.16)**	(171,481,533.41)
Payments of various taxes		**(151,080,913.38)**	(165,028,844.95)
Cash paid for other operating activities	V.44(2)	**(50,150,117.59)**	(72,105,901.74)
Sub-total of cash outflows for operating activities		**(1,308,293,159.98)**	(936,831,163.23)
Net cash (used in)/generated from operating activities	V.45(1)(a)	**(223,585,188.91)**	82,996,378.54
II. Cash flows from investing activities:			
Net cash received from disposal of fixed assets		**44,984.96**	6,967.18
Cash received from other investing activities	V.44(3)	**3,252,022.14**	2,883,551.36
Sub-total of cash inflows from investing activities		**3,297,007.10**	2,890,518.54
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(377,942,310.02)**	(672,058,077.36)
Sub-total of cash outflows for investing activities		**(377,942,310.02)**	(672,058,077.36)
Net cash used in investing activities		**(374,645,302.92)**	(669,167,558.82)

(Expressed in Renminbi Yuan)

		Note	2017	2016
III.	**Cash flows from financing activities:**			
	Cash received from non-controlling shareholders of subsidiaries		–	3,000,000.00
	Cash received from loans		1,631,815,591.45	1,982,054,619.58
	Sub-total of cash inflows from financing activities		1,631,815,591.45	1,985,054,619.58
	Cash paid for repayment of loans		(675,598,993.08)	(1,258,784,240.52)
	Cash paid for distribution of dividends and profit or payment of interests		(211,196,866.49)	(141,199,766.18)
	Cash paid for other financing activities	V.44(4)	(7,984,646.93)	(2,422,529.70)
	Sub-total of cash outflows for financing activities		(894,780,506.50)	(1,402,406,536.40)
	Net cash generated from financing activities		737,035,084.95	582,648,083.18
IV.	**Effect of foreign exchanges rate changes on cash**		(8,924,836.83)	4,292,594.92
V.	**Net increase in cash**	V.45(1)(b)	129,879,756.29	769,497.82
	Add: Balance of cash at the beginning of the year		535,412,612.93	534,643,115.11
VI.	**Balance of cash at the end of the year**	V.45(1)(b)	665,292,369.22	535,412,612.93

These financial statements were approved by the board of directors on 9 March 2018.

Qiao Dewei	**Hu Shengyong**	**Liu Li**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 74 to 197 form part of these financial statements.

COMPANY
CASH FLOW STATEMENT

for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

		Note	2017	2016
I.	**Cash flows from operating activities:**			
	Cash received from rendering of services		**212,380,484.16**	93,461,623.92
	Refund of income tax		**–**	2,440,645.03
	Cash received from other operating activities		**197,710,192.56**	123,012,185.33
	Sub-total of cash inflows from operating activities		**410,090,676.72**	218,914,454.28
	Cash paid for goods		**(2,971,533.89)**	(16,940,908.83)
	Cash paid to and for employees		**(32,973,511.34)**	(27,843,895.65)
	Payments of various taxes		**(16,601,184.33)**	(19,515,276.15)
	Cash paid for other operating activities		**(159,865,751.43)**	(173,179,804.66)
	Sub-total of cash outflows for operating activities		**(212,411,980.99)**	(237,479,885.29)
	Net cash generated from/(used in) operating activities	XV.9(1)(a)	**197,678,695.73**	(18,565,431.01)
II.	**Cash flows from investing activities:**			
	Cash received from investment income		**226,500,000.00**	25,000,000.00
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**–**	2,612.14
	Cash received from other investing activities		**422,488,985.78**	737,351,161.83
	Sub-total of cash inflows from investing activities		**648,988,985.78**	762,353,773.97
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(555,194.32)**	(581,437.80)
	Cash paid for acquisition of subsidiaries and other operation units		**(272,000,000.00)**	(166,000,000.00)
	Cash paid for other investing activities		**(464,300,000.00)**	(532,530,000.00)
	Sub-total of cash outflows for investing activities		**(736,855,194.32)**	(699,111,437.80)
	Net cash (used in)/generated from investing activities		**(87,866,208.54)**	63,242,336.17

COMPANY CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

		Note	2017	2016
III.	**Cash flows from financing activities:**			
	Cash received from loans		**849,000,000.00**	996,000,000.00
	Sub-total of cash inflows from financing activities		**849,000,000.00**	996,000,000.00
	Cash paid for repayment of loans		**(813,198,412.67)**	(1,005,000,000.00)
	Cash paid for distribution of profit or payment of interests		**(132,176,538.33)**	(91,628,459.02)
	Cash paid for other financing activities		**(7,984,646.93)**	(2,422,529.70)
	Sub-total of cash outflows for financing activities		**(953,359,597.93)**	(1,099,050,988.72)
	Net cash used in financing activities		**(104,359,597.93)**	(103,050,988.72)
IV.	**Effect of foreign exchanges rate changes on cash**		**(100,923.61)**	(9,401.12)
V.	**Net increase/(decrease) in cash**	XV.9(1)(b)	**5,351,965.65**	(58,383,484.68)
	Add: Balance of cash at the beginning of the year		**107,329,347.71**	165,712,832.39
VI.	**Balance of cash at the end of the year**	XV.9(2)	**112,681,313.36**	107,329,347.71

These financial statements were approved by the board of directors on 9 March 2018.

Qiao Dewei	**Hu Shengyong**	**Liu Li**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 74 to 197 form part of these financial statements.

CONSOLIDATED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note	Equity attributable to shareholders of the company							
	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
At 1 January 2016		1,045,000,000.00	628,984,641.83	(10,559,833.62)	22,381,880.39	201,948,752.50	1,887,755,441.10	–	1,887,755,441.10
Changes for the year									
(I) Total comprehensive income		–	–	6,246,068.49	–	230,995,690.91	237,241,759.40	–	237,241,759.40
(II) Profit distribution									
1. Appropriation for surplus reserve	V.31	–	–	–	11,125,925.32	(11,125,925.32)	–	–	–
2. Distributions to shareholders	V.32	–	–	–	–	(31,350,000.00)	(31,350,000.00)	–	(31,350,000.00)
(III) Capital contribution from non-controlling interests		–	–	–	–	–	–	3,000,000.00	3,000,000.00
At 31 December 2016		1,045,000,000.00	628,984,641.83	(4,313,765.13)	33,507,805.71	390,468,518.09	2,093,647,200.50	3,000,000.00	2,096,647,200.50
At 1 January 2017		**1,045,000,000.00**	**628,984,641.83**	**(4,313,765.13)**	**33,507,805.71**	**390,468,518.09**	**2,093,647,200.50**	**3,000,000.00**	**2,096,647,200.50**
Changes for the year									
(I) Total comprehensive income		**–**	**–**	**(5,784,455.20)**	**–**	**206,477,431.15**	**200,692,975.95**	**–**	**200,692,975.95**
(II) Profit distribution									
1. Appropriation for surplus reserve	V.31	**–**	**–**	**–**	**22,871,911.53**	**(22,871,911.53)**	**–**	**–**	**–**
2. Distributions to shareholders	V.32	**–**	**–**	**–**	**–**	**(62,700,000.00)**	**(62,700,000.00)**	**–**	**(62,700,000.00)**
At 31 December 2017		**1,045,000,000.00**	**628,984,641.83**	**(10,098,220.33)**	**56,379,717.24**	**511,374,037.71**	**2,231,640,176.45**	**3,000,000.00**	**2,234,640,176.45**

These financial statements were approved by the board of directors on 9 March 2018.

Qiao Dewei	**Hu Shengyong**	**Liu Li**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 74 to 197 form part of these financial statements.

COMPANY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
At 1 January 2016		1,045,000,000.00	676,346,635.50	22,381,880.39	108,047,559.37	1,851,776,075.26
Changes for the year						
(I) Total comprehensive income		–	–	–	111,259,253.18	111,259,253.18
(II) Profit distribution						
1. Appropriation for surplus reserve	V.31	–	–	11,125,925.32	(11,125,925.32)	–
2. Distributions to shareholders	V.32	–	–	–	(31,350,000.00)	(31,350,000.00)
At 31 December 2016		1,045,000,000.00	676,346,635.50	33,507,805.71	176,830,887.23	1,931,685,328.44
At 1 January 2017		**1,045,000,000.00**	**676,346,635.50**	**33,507,805.71**	**176,830,887.23**	**1,931,685,328.44**
Changes for the year						
(I) Total comprehensive income		**–**	**–**	**–**	**228,719,115.30**	**228,719,115.30**
(II) Profit distribution						
1. Appropriation for surplus reserve	V.31	**–**	**–**	**22,871,911.53**	**(22,871,911.53)**	**–**
2. Distributions to shareholders	V.32	**–**	**–**	**–**	**(62,700,000.00)**	**(62,700,000.00)**
At 31 December 2017		**1,045,000,000.00**	**676,346,635.50**	**56,379,717.24**	**319,978,091.00**	**2,097,704,443.74**

These financial statements were approved by the board of directors on 9 March 2018.

Qiao Dewei	**Hu Shengyong**	**Liu Li**	(Company stamp)
Authorised Representative	*Chief Financial Officer*	*Chief Accountant*	
(Signature and stamp)	*(Signature and stamp)*	*(Signature and stamp)*	

The notes on pages 74 to 197 form part of these financial statements.

NOTES
TO FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

I. COMPANY OVERVIEW

Dynagreen Environmental Protection Group Co., Ltd. (the "**Company**") is a joint-stock limited liability company established based on the reorganisation of Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司) on 23 April 2012. Its registered address is 2nd Floor, Northeastern Wing, Jiuzhou Electronic Building, 007 Keji South 12th Street, Nanshan District, Shenzhen, the People's Republic of China (the "**PRC**"). Its head office is located in Shenzhen, Guangdong Province, the PRC. The parent company and ultimate holding company of the Company is Beijing State-owned Assets Management Co., Ltd. ("**BSAM**").

On 19 June 2014, the Company was listed on the Hong Kong Stock Exchange. On 29 June 2014, the underwriter of the Company of the public offering project on the Hong Kong Stock Exchange exercised all of the over-allotment options stated in the Company's prospectus dated 9 June 2014.

The Company and its subsidiaries (the "**Group**") are principally engaged in technological research in environmental protection industries including waste-incineration, and the design, development and systematic integration of relevant equipment, as well as management of waste treatment projects, operation management and the provision of technological services and associated technological consultation.

For the information about the subsidiaries and new subsidiaries of the Group during the reporting period, please refer to Notes VI and VII.

II. BASIS OF PREPARATION

1. Basis of preparation

These financial statements were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the "**MOF**") and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Provisions on Financial Reporting (amended in 2014) issued by the China Securities Regulatory Commission (the "**CSRC**").

In addition, these financial statements also included the relevant disclosure in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. Going concern basis of accounting

At 31 December 2017, the net current liabilities of the Group amounted to RMB260,325,570.89, and the committed capital expenditure within one year of the Group amounted to approximately RMB2,193,993,914.87, which 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 and intern funds. The management of the Group intend to take the following measures to ensure the Group has sufficient financial resources to meet its operation requirement for the coming 12 months:

(a) The Group maintained good long-term business relationship with various financial institutions, so as to ensure that it can obtain adequate lines of credit from them. At 31 December 2017, the unutilised banking facilities of the Group amounted to RMB2,534,454,017.95.

II. BASIS OF PREPARATION (Continued)

2. Going concern basis of accounting (Continued)

(b) With the constant completion and commencement of operations of the new waste-to-energy projects, the management foresees that the Group will generate sufficient operating cash inflow to meet its liquidity requirement.

In view of the above, the management is of the opinion that, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements for the next twelve months from 1 January 2018, and thus the management believes that the Group's preparation of the financial statements on a going concern basis is appropriate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting policies for the recognition and measurement of provisions for receivables, amortisation of intangible assets, and revenue recognition and measurement of the Group are adopted according to the specific characteristics of the Group's operations. Please refer to the relevant notes on accounting policies.

1. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and present truly and completely the consolidated and company financial position of the Company as at 31 December 2017, and the consolidated and company financial performance and cash flows of the Company for 2017.

2. Accounting period

The accounting period is from 1 January to 31 December.

3. Operating cycle

The Group is engaged in the investment, construction and operation of waste-to-energy (WTE) plants treating solid waste. The operating cycle of the Group for the operation of WTE plants which including processing of waste and power generation is usually less than 12 months.

4. Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note III.8.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Accounting treatments for business combinations involving entities under common control and not under common control

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income for the current period. Any amount recognised in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs (see Note III.12(2)(b)).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation of consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Equity, profit or loss and total comprehensive income attributable to non-controlling shareholders are presented separately in the consolidated balance sheet below the shareholders' equity and the consolidated income statement below the net profit and total comprehensive income line items.

When the amount of loss for the current period attributable to the non-controlling shareholders a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests .

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Preparation of consolidated financial statements (Continued)

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

(4) Changes in non-controlling interests

The difference between the long-term equity investment cost obtained by the Company from purchase of non-controlling interests and the share of net assets of the subsidiaries that the Company should enjoy according to the increased shareholding percentage, and that between proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the assets of the subsidiaries that the Company should enjoy for disposal of long-term equity investment were stated as capital reserve in the consolidated balance sheet (share premium). In case the capital reserve (share premium) is insufficient for offset, retained earnings will be adjusted.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8. Foreign currency transactions and translation of foreign currency financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the rates that approximate the spot exchange rates on the dates of the transactions. A rate that approximates the spot exchange rate is an average exchange rate of the current period determined under a systematic and rational method that approximates the spot exchange rate on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition and construction of qualifying assets (see Note III.14). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the spot exchange rate at the transaction date.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in shareholders' equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments

Financial instruments of the Group include cash at bank and on hand, accounts receivable, accounts payable, loans and share capital.

(1) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and accounts receivable, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. During the reporting period of these financial statements, the Group did not have any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets, and had accounts receivable and other financial liabilities only.

Financial assets and financial liabilities are measured initially at fair value. Any related transaction costs are included in their initial costs. Subsequent to initial recognition, financial assets and liabilities are measured as follows:

— *Accounts receivable*

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, accounts receivable are measured at amortised cost using the effective interest method.

— *Other financial liabilities*

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Other financial liabilities include liabilities arising from financial guarantee contracts. Financial guarantee contracts are contracts that require the Group (as the guarantor) to make payments or assume responsibilities as agreed with the lender when a specified debtor fails to make payments. The liabilities arising from financial guarantee contracts is subsequently measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note III.19).

Liabilities other than those arising from financial guarantee contracts are measured at amortised cost using the effective interest method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(2) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

— the Group currently has a legally enforceable right to set off the recognised amounts;

— the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(3) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

— the Group's contractual rights to the cash flows from the financial asset expire;

— the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;

— the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

— the carrying amount of the financial asset transferred;

— the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged or cancelled or expires.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

(4) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

Objective evidence that a financial asset is impaired includes but is not limited to:

(i) significant financial difficulty of the obligor;

(ii) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(iii) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

For the calculation method of impairment of accounts receivable, please refer to Note III.10.

(5) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

10. Impairment of accounts receivable

Accounts receivable are assessed for impairment on an individual basis and on a collective group basis as follows.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those not having been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, after an impairment loss has been recognised on accounts receivable, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years at the date the impairment is reversed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Impairment of accounts receivable (Continued)

(1) Accounts receivables that are individually significant and assessed individually for impairment

Judgement basis or criteria for accounts receivable that are individually significant	Accounts receivable individually greater than RMB5,000,000 are significant.
Method of provisioning for bad and doubtful debts for accounts receivable that are individually significant and assessed individually	An impairment loss in respect of an account receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

(2) Accounts receivable that are individually insignificant but assessed individually for impairment

Reasons for assessing individually for impairment of receivables that are individually insignificant	Accounts receivable are individually assessed. Provision for bad and doubtful debts is made for any event that shows the present value of the estimated future cash flows may be significantly lower than its carrying amount such as overdue debts or financial difficulty.
Method of provisioning for bad and doubtful debts	An impairment loss in respect of an account receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Impairment of accounts receivable (Continued)

(3) Accounts receivable that are collectively assessed for impairment based on credit risk characteristics

Accounts receivable that have not been individually assessed as impaired in the assessments in (1) and (2) above, are included in the collective assessment of impairment for accounts receivable sharing similar credit risk characteristics.

Method of provisioning for receivables with similar credit risk characteristics that are collectively assessed for impairment (ageing analysis method, percentage of balance method and other methods)

Accounts receivable within the scope of consolidation ("**Group 1**")	Provision for bad and doubtful debts of the accounts receivable in Group 1 is made according to the specific financial position of each subsidiary and other factors.
Accounts receivable other than those in Group 1 ("**Group 2**")	Provision for bad and doubtful debts of the accounts receivable in Group 2 is made by using the ageing analysis method.

Ageing	**Provisions as a percentage of accounts receivable (%)**
Within 1 year (inclusive)	5%
1–2 years (inclusive)	10%
2–3 years (inclusive)	20%
3–4 years (inclusive)	50%
4–5 years (inclusive)	80%
Over 5 years	100%

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Impairment of accounts receivable (Continued)

(4) Other receivables that are assessed for impairment based on credit risk characteristics:

Type	Details
Project performance bond, refund-upon-collection value-added tax receivable and other tax refund receivable	Provision for bad and doubtful debts is made on an individual basis and on a collective group basis for project performance bond, refund-upon-collection value-added tax receivable and other tax refund receivable.
Other receivables within the scope of consolidation	Provision for bad and doubtful debts is made according to the specific financial position of each subsidiary and other factors.
Other receivables other than the above	For such other receivables, impairment is firstly assessed on an individual basis, and then the Group assesses the impairment loss according to the ageing groups after considering the provision for bad and doubtful debts made on an individual basis. The specific provisioning percentages for other receivables on a collective group basis are as follows:

Ageing	Provisions as a percentage of accounts receivable (%)
Within 1 year (inclusive)	5%
1–2 years (inclusive)	10%
2–3 years (inclusive)	20%
3–4 years (inclusive)	50%
4–5 years (inclusive)	80%
Over 5 years	100%

11. Inventories

(1) Classification and cost

Inventories include raw materials, work in progress, finished goods and turnover materials. Turnover materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

Inventories are initially measured at cost. Cost of inventories comprises costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Inventories (Continued)

(2) Measurement method of cost of inventories

Cost of inventories recognised is calculated using the weighted average method on a monthly basis.

Turnover materials including low-value consumables and packaging materials are amortised when they are used. The amortisation charge is included in the cost of the related assets or recognised in profit or loss for the current period.

(3) Basis for determining the net realisable value and method for provision for obsolete inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

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 and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for obsolete inventories, and is recognised in profit or loss.

(4) Inventory count system

The Group maintains a periodic inventory system.

12. Long-term Equity Investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

— The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Long-term Equity Investments (Continued)

(1) Investment cost of long-term equity investments (Continued)

(a) Long-term equity investments acquired through a business combination (Continued)

— For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash.

(2) Subsequent measurement and recognition in profit or loss of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment test of the investments in subsidiaries, please refer to Note III.17.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.6.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Long-term Equity Investments (Continued)

(2) Subsequent measurement and recognition in profit or loss of long-term equity investment (Continued)

(b) Investment in associates

An associate is an entity over which the Group has significant influence (see Note III.12(3)).

An investment in an associate is accounted for using the equity method for subsequent measurement.

The accounting treatments under the equity method adopted by the Group are as follows:

— Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

— After the acquisition of the investment, the Group recognises its share of the investee's net profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's shareholders' equity, and the carrying amount of the long-term investment is adjusted accordingly.

— In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. 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 associates. Unrealised losses resulting from transactions between the Group and its associates are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

— The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment test and provisioning of the investments in an associate, please refer to Note III.17.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Long-term Equity Investments (Continued)

(3) Criteria for determining the existence of significant influence over an investee

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

13. Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, for use in supply of services or for administrative purposes with useful lives over one accounting year.

The initial cost of a purchased fixed asset comprises the purchase price, related taxes, and any attributable expenditure for bringing the asset to working condition for its intended use.

Where the parts of an item of fixed assets have different useful lives or provide economic benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its useful life.

The useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Useful life (years)	Residual value rate (%)	Depreciation rate (%)
Motor vehicles	5 years	5%	19%
Office and other Equipment	5 years	5%	19%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment test and provisioning of the fixed assets, please refer to Note III.17.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Fixed assets (Continued)

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

— when the fixed asset is holding for disposal; or

— when no economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset 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.

14. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

— Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

— To the extent that the Group borrows funds generally and uses them for the acquisition and construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition and construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition and construction activities are interrupted abnormally for a period of more than three months.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.17). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

Item	**Amortisation period**
Operating rights	23–30 years
Software	10 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

(1) Operating rights

The Group has entered into service concession arrangements with different local governments in China ("**the grantor**") in respect of its waste-to-energy ("**WTE**") projects on a Build-Operate-Transfer ("**BOT**") basis. Under the service concession arrangements, the Group builds WTE plants (construction period) and operates these WTE plants (operation period) for a concession period of 23 to 30 years. Upon the expiry of the concession period, the Group would transfer these WTE plants to respective grantor without consideration. The terms of the service concession arrangements allow the Group to earn waste treatment fees and electricity tariffs for the processing of waste and generation of electricity during the operation period.

The Group recognises construction costs as financial assets to the extent that it has an unconditional contractual right to receive specified or determinable amount of cash or another financial asset from the grantor, or to receive the shortfall, if any, between the amount received from grantor and the specified or determinable amount, and accounts for the financial asset in accordance with the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (see Note III.9). The Group recognises construction costs as intangible assets (WTE project operating rights) to the extent that it has a right to receive unspecified or indeterminable amount of fees from the users of service within a certain operating period after the completion of the relevant infrastructure where such right does not constitute an unconditional right to receive cash.

(2) Research and development expenditure

Expenditure on an internal research and development projects is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Expenditure during the research phase is expensed when incurred. Expenditure during the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Long-term deferred expenses

Long-term deferred expenses are amortised using a straight-line method within the benefit period. The respective amortisation periods for such expenses are as follows:

Item	Amortisation period
Renovation costs for office under operating lease	3 years

17. Impairment of assets other than inventories and financial assets

The carrying amount of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

— fixed assets

— intangible assets

— long-term equity investments in subsidiaries or associates

— long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually at each year-end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.18) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

19. Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

— Where the contingency involves a single item, the best estimate is the most likely outcome.

— Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Revenue

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following conditions are met.

(1) Revenue from BOT and BT projects

With respect to the public infrastructure construction business participated in on a BOT and BT basis, the Group, instead of recognising the revenue for those infrastructure construction being subcontracted to the third parties other than providing actual construction service, recognises financial assets and intangible assets based on the construction costs incurred and contract arrangement of each project in accordance with the Interpretation No. 2 on Accounting Standards for Business Enterprises.

During the operating period, the Group recognises the electricity tariff, waste treatment fees and finance income according to the following principles respectively.

(a) Electricity tariff

The Group recognises the electricity tariff according to the actual volume of electricity supplied and the unit price as agreed in the electricity purchase and sale contracts.

(b) Waste treatment fees

The Group recognises the waste treatment fees according to the actual volume of waste treated and the unit price as agreed in the BOT agreements, deducting the portion recognised as financial assets.

(c) Finance income

The Group recognises the relevant finance income at amortised cost using the effective interest method for the financial assets recognised in the course of BOT/BT construction.

(2) Rendering of services

Revenue from rendering of services is measured at the fair value of the consideration received or receivable under the contract or agreement.

At the balance sheet date, where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognised by reference to the stage of completion based on the progress of work performed to date to the total services to be performed.

Where the outcome cannot be estimated reliably, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognised.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Revenue (Continued)

(3) Sale of goods

Revenue from sale of goods is recognised when the general conditions stated above and the following conditions are satisfied:

— Significant risks and rewards of ownership of goods have been transferred to the buyer;

— The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.

(4) Interest income

Interest income is recognised at amortised cost using the effective interest method.

21. Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits — defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government authorities. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or include in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

— When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

— When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

Prior to 1 January 2017, a government grant related to assets is recognised as deferred income and amortised over the useful life of the related asset as non-operating income. A government grant related to income that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in non-operating income in the periods in which the expenses or losses are recognised, or included in non-operating income directly if the grant compensates the Group for expenses or losses incurred.

After 1 January 2017, a government grant related to assets is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A government grant related to income that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised, otherwise, the grant is included in other income or non-operating income directly.

23. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in shareholders' equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Income tax (Continued)

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

— the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;

— they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

24. Operating leases

Rental payments under operating leases are recognised as part of the cost of related asset or as expenses on a straight-line basis over the lease term.

25. Profit distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

26. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

The Group operates as a whole with a unified internal organisational structure, management evaluation system and internal reporting system. Management conducts resource allocation and performance evaluation by regularly reviewing the financial information of the Group. The Group does not have any operating segment under separate management and therefore the Group has only one operating segment.

28. Significant accounting estimates and judgements

The preparation of the financial statements requires management of the Group to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Uncertainties of major estimates are as follows:

(1) Build-Operate-Transfer ("BOT") projects

The Group recognises financial assets and intangible assets based on the construction costs incurred and contract arrangement of each project. The Group recognises the financial assets and intangible assets at the end of each reporting period based on the aggregate of the financial assets and intangible assets of each BOT project that can be recognised and the stage of completion of each project at the reporting date. In the course of project construction, the Group reviews and revises the carrying amounts of the financial assets and intangible assets based on the budgeted construction costs and the estimated construction period.

(2) Impairment of accounts receivable

The Group estimates impairment loss of accounts receivable resulting from the inability of the customers to make the required payments at the balance sheet date. The Group bases the estimates on the ageing of the accounts receivable, customer credit-worthiness, and historical write-off experience. If the financial conditions of customers were to deteriorate, actual write-offs would be higher than estimated.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Significant accounting estimates and judgements (Continued)

(3) Impairment on fixed assets, intangible assets, long-term equity investments in subsidiaries or an associate and long-term deferred expenses

If there is any indication or information showing that the Group cannot recover the carrying amount of fixed assets, intangible assets, long-term equity investments in subsidiaries or an associate and long-term deferred expenses, these assets may be considered impaired and the Group will recognise impairment accordingly. The Group regularly reviews the carrying amount of these long-term assets to assess whether their recoverable amount falls below their carrying amount. The Group needs to conduct an impairment test on the assets in case of any event or circumstance which shows that the recorded carrying amount of such long-term assets may not be recoverable. In the event of such impairment, the carrying amount of the related long-term asset is reduced to its 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.

(4) Deferred tax assets

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Group exercises judgements about the estimated timing and amount of taxable profits of the following periods, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. Differences between such estimates and the actual timing and amount of future taxable profits and the actual applicable tax rates affect the amount of deferred tax assets that should be recognised.

29. Changes in significant accounting policies and accounting estimates

(1) Government grants

On 12 June 2017, the Group commenced applying the Accounting Standards for Business Enterprises No. 16 — Government Grants amended by the MOF in 2017 ("**CAS 16 (2017)**"). The Group adopted prospective approach as to government grants existing prior to 1 January 2017, and adjusted the government grants newly approved from 1 January 2017 to the date of the adoption based on the CAS 16 (2017).

Before adopting the CAS 16 (2017), the Group's government grants recognised in profit or loss for the current period was presented as "non-operating income". After adopting the CAS 16 (2017), the government grants related to the Group's ordinary activities was presented as "other income", and government grants irrelevant to the Group's ordinary activities was presented as "non-operating income". The Group applied the prospective approach to account for the aforesaid changes of the accounting policies, which did not affect the comparable annual financial statements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(2) Gains from asset disposals

The MOF issued the “Notice on Revision of the Illustrative Financial Statements” (Caikuai [2017] No. 30) in December 2017. The Group has prepared financial statements for the year ended 31 December 2017 in accordance with Caikuai [2017] No. 30. Comparative figures have been adjusted retrospectively. The adoption of Caikuai [2017] No. 30 does not have a material impact on the financial position and operating results of the Group.

According to this regulation, the Group has added the “Gains from asset disposals” item in the income statement, reflecting the gains or losses arising from the disposal of fixed assets and intangible assets. The above items were previously presented in “Non-operating income” or “Non-operating expenses”.

(3) Principle of revenue recognition

The Group is listed on the Main Board of Hong Kong as H share. According to the requirements of IFRIC 12 and the common practice on construction revenue recognition in respect of the construction phase of the BOT and BT projects of the industry peers listed on the Hong Kong capital market, the Group recognises the construction revenue in the construction phase of the BOT and BT projects during the preparation of the financial statements under International Financial Reporting Standards (IFRS).

According to the “Q&A 1” of the Interpretation No. 2 on Accounting Standards for Business Enterprises, listed companies issuing both A shares and H shares shall adopt the same accounting policies and estimates in their financial reports for A shares and H shares and for the recognition, measurement and reporting of the same transaction. They shall not adopt different accounting policies except for the differences in reversal of impairment losses on long-term assets and the related-party disclosure. Therefore, when preparing the former financial statements for 2014-2016 in accordance with the Accounting Standards for Business Enterprises, the Group adopted the accounting treatments as same as those used in the preparation of financial statements according to the IFRS for the accounting treatments with respect to the revenue recognition of BOT and BT projects in the construction phase. During the preparation of the financial statements for the purpose of the initial public offering of A shares, the Group revised the revenue recognition principle regarding BOT and BT with reference to the practice of A-share listed companies in the same industry and the accounting policy formulated in accordance with the requirements related to BOT in the “Q&A 5” of the Interpretation No. 2 on Accounting Standards for Business Enterprises (see Note III.20), and did not recognise the construction revenue in the construction phase.

(4) Others

In order to implement the provisions of the Accounting Standards for Business Enterprises relating to the estimates for impairment provisions and the amortisation period of intangible assets, the Group revised the proportion of provision for bad and doubtful debts of accounts receivable and the amortisation period of intangible assets — construction license with reference to the practice of A-share listed companies in the same industry.

(Expressed in Renminbi unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates (Continued)

(5) Effect of changes on 2016 financial statements

The effects of the changes stated in III.29(3) and (4) above on the 2016 financial statements are analysed as follows:

Affected items in the comparative financial statements	**31 December 2016/2016 Increase/ (Decrease)**
Accounts receivable	(5,812,592.47)
Prepayments	(228,621,534.56)
Long-term receivables due within one year	(7,315,537.21)
Long-term receivables	(38,384,643.90)
Intangible assets	(822,236,029.48)
Deferred tax assets	137,264,347.37
Other non-current assets	228,621,534.56
Taxes payable	(1,924,219.57)
Deferred tax liabilities	(86,460,019.91)
Surplus reserve	(31,996.14)
Retained earnings	(648,068,220.07)
Operating income	(1,210,144,260.16)
Operating costs	(1,035,778,301.83)
Impairment loss of assets	(13,420.79)
Income tax expenses	(48,885,917.29)

(Expressed in Renminbi unless otherwise indicated)

IV. TAXATION

1. Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	3%*, 6% and 17%
Business tax	Based on taxable revenue before 1 May 2016. According to Cai Shui [2016] No. 36, jointly issued by MOF and the State Administration of Taxation, all taxpayers subject to business tax in the PRC are included in the scope of the VAT pilot scheme. Effective from 1 May 2016, those taxpayers are required to pay VAT in lieu of business tax.	5%
City maintenance and construction tax	Based on business tax and VAT paid	7% and 5%
Education surcharges	Based on business tax and VAT paid	3%
Local education surcharges	Based on business tax and VAT paid	2%
Corporate income tax ("**CIT**")	Based on taxable profits	25%
PRC withholding income tax	Based on dividends declared to foreign investors	10%

* Qingdao Dynagreen Renewable Energy Co., Ltd. (青島綠色動力再生能源有限公司) ("**Qingdao Company**"), Zhejiang Dongyang Fuli Construction Limited Company (浙江省東陽富力建設有限公司), Hongan Dynagreen Renewable Energy Co., Ltd. (紅安綠色動力再生能源有限公司) and Beijing Dynagreen Environmental Protection Technology Research Institute Co., Ltd. (北京環保技術研究院有限公司) ("**Beijing Research Institute**"), which all were subsidiaries of the Company, were small-scale VAT taxpayers and their applicable tax rate was 3%.

The applicable income tax rate for the Company and its subsidiaries (except for Blue-ocean Environment Investment Holding Company Limited (藍洋環保投資控股有限公司) ("**Blue-ocean Environment**") was 25% for the year ended 31 December 2017 (2016: 25%).

An income tax rate of 16.5% as stipulated by the Hong Kong tax laws was applicable to Blue-ocean Environment, a company incorporated in Hong Kong.

According to the Enterprise Income Tax Law, a 10% withholding tax will be levied on the dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement has been effective from 1 January 2008 and applied to profit earned after 31 December 2007.

IV. TAXATION (Continued)

2. Tax preferential benefits and approvals

2.1 CIT preferential benefits and approvals

(1) The applicable tax rate and tax preferential benefits of the Company's CIT

The Company was qualified as a High and New Technology Enterprise ("**HNTE**") according to the Notification of the Registration Filing of the Tax Concession (Shen Di Shui Nan Jian Bei Gao Zi (2009) No. 09378) issued by the local tax bureau of Nanshan District, Shenzhen, which entitled the Company to a preferential CIT rate of 15% from January 2008 to December 2010. On 31 October 2011, the Company renewed its national HNTE qualification (certificate no. GF201144200320), entitling it to the preferential CIT rate of 15% from January 2011 to December 2013. On 30 September 2014, the Company renewed its HNTE qualification (certificate no. GR201444200881), and the qualification is valid until September 2017. On 31 October 2017, the Company renewed its HNTE qualification (certificate no. GR201744202560), and the qualification is valid until October 2020.

(2) The applicable tax rate and tax preferential benefits of the subsidiaries' CIT

The operating earnings of Yongjia Dynagreen Renewable Energy Co., Ltd. (永嘉綠色動力再生能源有限公司) ("**Yongjia Company**"), Pingyang Dynagreen Renewable Energy Co., Ltd. (平陽綠色動力再生能源有限公司) ("**Pingyang Company**"), Wuhan Dynagreen Renewable Energy Co., Ltd. (武漢綠色動力再生能源有限公司) ("**Wuhan Company**"), Taizhou Dynagreen Renewable Energy Co., Ltd. (泰州綠色動力再生能源有限公司) ("**Taizhou Company**"), Rushan Dynagreen Renewable Energy Co., Ltd. (乳山綠色動力再生能源有限公司) ("**Rushan Company**"), Huizhou Dynagreen Environment Co., Ltd. (惠州綠色動力環保有限公司) ("**Huizhou Company**"), Anshun Dynagreen Renewable Energy Co., Ltd. (安順綠色動力再生能源有限公司) ("**Anshun Company**"), Tianjin Dynagreen Renewable Energy Co., Ltd. (天津綠色動力再生能源有限公司) ("**Jixian Company**") and Jurong Dynagreen Renewable Energy Co., Ltd. (句容綠色動力再生能源有限公司) ("**Jurong Company**"), which all were subsidiaries of the Company, were qualified for the earnings from environmental protection, water and energy conservation as stipulated under the Enterprise Income Tax Law, and were eligible for a tax exemption for the first year to the third year, and a 50% reduction in CIT 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**"). The details are as follows:

- Rushan Company obtained the Notification of CIT 3+3 tax holiday in September 2014 and was entitled to the 3+3 tax holiday from 2014 to 2019;
- Yongjia Company and Pingyang Company obtained the Notification of CIT 3+3 tax holiday in 2015 and was entitled to the 3+3 tax holiday from 2012 to 2017;
- Taizhou Company obtained the Notification of CIT 3+3 tax holiday in 2014 and was entitled to the 3+3 tax holiday from 2013 to 2018;
- Wuhan Company obtained the Notification of CIT 3+3 tax holiday in 2015 and was entitled to the 3+3 tax holiday from 2013 to 2018;

IV. TAXATION (Continued)

2. Tax preferential benefits and approvals (Continued)

2.1 CIT preferential benefits and approvals (Continued)

(2) The applicable tax rate and tax preferential benefits of the subsidiaries' CIT (Continued)

- The landfill portion and incineration portion of Huizhou Company obtained the Notification of CIT 3+3 tax holiday in 2015 and 2016 respectively and was entitled to the 3+3 tax holiday from 2014 to 2019 and 2016 to 2021 respectively;

- Anshun Company obtained the Notification of CIT 3+3 tax holiday in 2016 and was entitled to the 3+3 tax holiday from 2015 to 2020;

- Jixian Company obtained the Notification of CIT 3+3 tax holiday in 2016 and was entitled to the 3+3 tax holiday from 2016 to 2021;

- Jurong Company obtained the Notification of CIT 3+3 tax holiday in 2017 and was entitled to the 3+3 tax holiday from 2017 to 2022.

Before obtaining the notification of CIT, the subsidiaries made income tax provisions and payment based on a tax rate of 25%.

2.2 VAT preferential benefits and approvals

Before 1 July 2015, Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. (常州綠色動力環保熱電有限公司) ("**Changzhou Company**"), Haining Company, Wuhan Company, Taizhou Company, Rushan Company and Huizhou Company, which all were subsidiaries of the Company, were exempted from VAT in respect of the waste treatment services according to the Notice on VAT Policies Amendments for Products Generated from Comprehensive Utilisation of Resources and Services (Cai Shui [2011] No. 115) issued by MOF and State Administration of Taxation. Yongjia Company and Pingyang Company obtained an approval from State Administration of Taxation in June 2014 and November 2014 respectively, and were exempted from VAT in respect of the waste treatment services from July 2014 and December 2014 respectively. According to the Notice on VAT Policies for Products Generated from Comprehensive Utilisation of Resources and Other Products (Cai Shui [2008] No. 156) issued by MOF and State Administration of Taxation, Changzhou Company and Haining Company were entitled to 100% refund of VAT in respect of the sale of power or heat produced from waste. Except Changzhou Company and Haining Company, other companies were levied VAT at a tax rate of 17% in respect of the sale of power or heat produced from waste.

From 1 July 2015, Changzhou Company, Haining Company, Yongjia Company, Pingyang Company, Wuhan Company, Taizhou Company, Rushan Company, Huizhou Company, Anshun Company, Jixian Company and Jurong Company, which all were subsidiaries of the Company, were entitled to 70% refund of VAT in respect of the waste treatment services and 100% refund of VAT in respect of the sale of power or heat produced from waste or methane from waste fermentation according to the Notice on Publishing the VAT Catalogue for Products Generated from Comprehensive Utilisation of Resources and Services (Cai Shui [2015] No. 78) issued by MOF and State Administration of Taxation.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	2017	2016
Cash on hand	27,274.70	40,287.58
Deposits with banks	665,265,094.52	535,372,325.35
Other monetary funds	29,200,000.00	46,192,284.00
Total	694,492,369.22	581,604,896.93
Including: Total overseas deposits	98,240,619.39	93,941,941.36

As at 31 December 2017 and 31 December 2016, the time deposits included in deposits with banks held by the Group amounted to RMB15,000,000.00 and RMB11,966,582.50 respectively. The term of time deposits ranged from a month to a year.

Other monetary funds of the Group mainly comprised the retention money for BOT projects and letter of credit with restricted use.

2. Bills receivable

(1) Classification of bills receivable

Type	2017	2016
Bank acceptance bills	1,188,000.00	—
Commercial acceptance bills	—	400,000.00
Total	1,188,000.00	400,000.00

All of the above bills were due within one year.

(2) As at 31 December 2017 and 31 December 2016, the Group did not have any pledged bills receivable.

(3) As at 31 December 2017 and 31 December 2016, the Group did not have any outstanding endorsed or discounted bills that had not matured at the balance sheet date.

(4) As at 31 December 2017 and 31 December 2016, the Group did not have any bills transferred to accounts receivable due to non-performance of the issuers.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable

(1) Accounts receivable by customer type are as follows:

Customer type	2017	2016
Due from third parties	145,165,378.93	119,652,838.59
Less: Provision for bad and doubtful debts	(7,283,007.63)	(5,982,641.93)
Total	137,882,371.30	113,670,196.66

(2) The ageing analysis of accounts receivable is as follows:

Ageing	2017	2016
Within 1 year (inclusive)	144,670,605.31	119,652,838.59
Over 1 year but within 2 years (inclusive)	494,773.62	—
Sub-total	145,165,378.93	119,652,838.59
Less: Provision for bad and doubtful debts	(7,283,007.63)	(5,982,641.93)
Total	137,882,371.30	113,670,196.66

The ageing is counted starting from the date when accounts receivable are recognised.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(3) Accounts receivable as disclosed by category

		31 December 2017				
		Book value		Provision for bad and doubtful debts		Carrying amount
Category	Note	**Amount**	**Percentage**	**Amount**	**Percentage**	
Individually significant and assessed for impairment individually	(a)	**–**	**0%**	**–**	**0%**	**–**
Collectively assessed for impairment* Group 2	(b)	**145,165,378.93**	**100%**	**(7,283,007.63)**	**100%**	**137,882,371.30**
Individually insignificant but assessed for impairment individually		**–**	**0%**	**–**	**0%**	**–**
Total		**145,165,378.93**	**100%**	**(7,283,007.63)**	**100%**	**137,882,371.30**

		31 December 2016				
		Book value		Provision for bad and doubtful debts		Carrying amount
Category	Note	Amount	Percentage	Amount	Percentage	
Individually significant and assessed for impairment individually	(a)	–	0%	–	0%	–
Collectively assessed for impairment* Group 2	(b)	119,652,838.59	100%	(5,982,641.93)	100%	113,670,196.66
Individually insignificant but assessed for impairment individually		–	0%	–	0%	–
Total		119,652,838.59	100%	(5,982,641.93)	100%	113,670,196.66

* This category includes accounts receivable having been individually assessed but not impaired.

(a) Accounts receivable which are individually significant and assessed for impairment individually as the end of the year:
As at 31 December 2017 and 31 December 2016, the Group did not have any accounts receivable which were individually significant and assessed for impairment individually.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(3) Accounts receivable as disclosed by category (Continued)

(b) Accounts receivable which are collectively assessed for impairment using the ageing analysis method at the end of the year:

	31 December 2017		
Ageing	**Book value**	**Provision for bad and doubtful debts**	**Percentage**
Within 1 year (inclusive)	**144,670,605.31**	**(7,233,530.27)**	**5%**
Over 1 year but within 2 years (inclusive)	**494,773.62**	**(49,477.36)**	**10%**
Total	**145,165,378.93**	**(7,283,007.63)**	

	31 December 2016		
Ageing	Book value	Provision for bad and doubtful debts	Percentage
Within 1 year (inclusive)	119,652,838.59	(5,982,641.93)	5%

(4) Additions, recoveries or reversals of provision for bad and doubtful debts during the year:

Item	**2017**	2016
Balance at the beginning of the year	**5,982,641.93**	6,532,110.15
Additions/(Reversals) during the year	**1,300,365.70**	(549,468.22)
Balance at the end of the year	**7,283,007.63**	5,982,641.93

The Group assessed the accounts receivable for impairment using ageing analysis method at each of the year end and then reversed or added impairment for the year after comparing with the impairment of the preceding accounting year.

During the period of these financial statements, the Group did not write off any accounts receivable. For the accounts receivable with restricted ownership, please see Note V.46.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(5) Five largest accounts receivable by debtor at the end of the year

As at 31 December 2017, the subtotal of five largest accounts receivable of the Group amounted to RMB83,627,111.56, representing 58% of the total accounts receivable at the end of the year, and the provisions of bad and doubtful debts amounted to RMB4,181,355.58.

As at 31 December 2016, the subtotal of five largest accounts receivable of the Group amounted to RMB60,674,526.16, representing 51% of the total accounts receivable at the end of the year, and the provisions of bad and doubtful debts amounted to RMB3,033,726.31.

4. Prepayments

(1) Prepayments by category:

Item	2017	2016
Prepayments to third parties	10,665,860.03	11,380,569.58

The ageing is counted starting from the date when prepayments are recognised. As at 31 December 2016 and 31 December 2017, the ageing of the Group's prepayments were within one year and the Group did not need to make provisions for impairment.

(2) Five largest prepayments by debtor at the end of the year

As at 31 December 2017, the subtotal of five largest prepayments of the Group amounted to RMB7,844,750.44, representing 74% of the total prepayments at the end of the year, and no provisions for bad and doubtful debts had been made.

As at 31 December 2016, the subtotal of five largest prepayments of the Group amounted to RMB7,587,876.92, representing 67% of the total prepayments at the end of the year, and no provisions for bad and doubtful debts had been made.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables

(1) Other receivables by customer type:

Customer type	2017	2016
Due from third parties	60,806,060.32	89,559,597.64
Less: Provision for bad and doubtful debts	(17,780,525.12)	(15,603,704.70)
Total	43,025,535.20	73,955,892.94

(2) The ageing analysis of other receivables is as follows:

Ageing	2017	2016
Within 1 year (inclusive)	28,818,304.95	16,008,522.39
Over 1 year but within 2 years (inclusive)	12,095,456.48	50,272,548.90
Over 2 years but within 3 years (inclusive)	265,672.54	2,634,448.56
Over 3 years but within 4 years (inclusive)	984,448.56	6,264,470.00
Over 4 years but within 5 years (inclusive)	4,262,570.00	60,000.00
Over 5 years	14,379,607.79	14,319,607.79
Sub-total	60,806,060.32	89,559,597.64
Less: Provision for bad and doubtful debts	(17,780,525.12)	(15,603,704.70)
Total	43,025,535.20	73,955,892.94

The ageing is counted starting from the date when other receivables are recognised.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(3) Other receivables as disclosed by category:

		31 December 2017				
		Book value		Provision for bad and doubtful debts		
Category	Note	**Amount**	**Percentage**	**Amount**	**Percentage**	**Carrying amount**
Performance bond	(a)	24,410,000.00	40%	(3,000,000.00)	17%	21,410,000.00
VAT refunds receivable and other tax refunds receivable		9,309,163.32	15%	–	0%	9,309,163.32
Others	(b)	27,086,897.00	45%	(14,780,525.12)	83%	12,306,371.88
Total		60,806,060.32	100%	(17,780,525.12)	100%	43,025,535.20

		31 December 2016				
		Book value		Provision for bad and doubtful debts		
Category	Note	Amount	Percentage	Amount	Percentage	Carrying amount
Performance bond	(a)	60,208,599.91	68%	(1,800,000.00)	12%	58,408,599.91
VAT refunds receivable and other tax refunds receivable		12,919,792.30	14%	–	0%	12,919,792.30
Others	(b)	16,431,205.43	18%	(13,803,704.70)	88%	2,627,500.73
Total		89,559,597.64	100%	(15,603,704.70)	100%	73,955,892.94

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(3) Other receivables as disclosed by category (Continued)

(a) Performance bond:

Other receivables (by entity)	31 December 2017 Book value	Provision for bad and doubtful debts	Percentage	Rationale for provision
Sheyang County Government	4,000,000.00	(2,000,000.00)	50%	Some had long ageing and risk on collection
Fengcheng City Public Resource Trading Supervision and Management Committee	3,000,000.00	–	0%	–
Urban Management Bureau of Wujin District, Changzhou	1,000,000.00	(1,000,000.00)	100%	Had long ageing and risk on collection
Bureau of Housing and Urban-Rural Development of Huiyang District, Huizhou	1,380,000.00	–	0%	–
Bengbu Urban Administrative and Law Enforcement Bureau	10,000,000.00	–	0%	–
Yongjia County Public Resource Trading Centre	30,000.00	–	0%	–
Ninghe County City Appearance and Landscape Management Committee	5,000,000.00	–	0%	–
Total	24,410,000.00	(3,000,000.00)		

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(3) Other receivables as disclosed by category (Continued)

(a) Performance bond (Continued)

Other receivables (by entity)	31 December 2016 Book value	Provision for bad and doubtful debts	Percentage	Rationale for provision
Jurong Finance Bureau	2,000,000.00	—	0%	—
Sheyang County Government	4,000,000.00	(800,000.00)	20%	Some had long ageing and risk on collection
Guoxin Tendering Group Co., Ltd.	199,999.91	—	0%	—
Urban Management Bureau of Wujin District, Changzhou	1,000,000.00	(1,000,000.00)	100%	Had long ageing and risk on collection
Jixian City Appearance and Landscape Management Committee	1,628,600.00	—	0%	—
Bureau of Housing and Urban-Rural Development of Huiyang District, Huizhou	1,380,000.00	—	0%	—
Bengbu Urban Administrative and Law Enforcement Bureau	50,000,000.00	—	0%	—
Total	60,208,599.91	(1,800,000.00)		

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(3) Other receivables as disclosed by category (Continued)

(b) Others:

Ageing	Book value	31 December 2017 Provision for bad and doubtful debts	Percentage
Within 1 year (inclusive)	11,479,141.83	(573,957.09)	5%
Over 1 year but within 2 years (inclusive)	715,456.48	(71,545.65)	10%
Over 2 years but within 3 years (inclusive)	265,672.54	(53,134.51)	20%
Over 3 years but within 4 years (inclusive)	984,448.56	(492,224.28)	50%
Over 4 years but within 5 years (inclusive)	262,570.00	(210,056.00)	80%
Over 5 years	13,379,607.59	(13,379,607.59)	100%
Total	27,086,897.00	(14,780,525.12)	

Ageing	Book value	31 December 2016 Provision for bad and doubtful debts	Percentage
Within 1 year (inclusive)	1,508,730.38	(75,437.51)	5%
Over 1 year but within 2 years (inclusive)	272,548.90	(27,254.89)	10%
Over 2 years but within 3 years (inclusive)	1,005,848.56	(201,169.71)	20%
Over 3 years but within 4 years (inclusive)	264,470.00	(132,235.00)	50%
Over 4 years but within 5 years (inclusive)	60,000.00	(48,000.00)	80%
Over 5 years	13,319,607.59	(13,319,607.59)	100%
Total	16,431,205.43	(13,803,704.70)	

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(4) Additions, reversals or written-offs of provision for bad and doubtful debts during the year:

Item	2017	2016
Balance at the beginning of the year	**15,603,704.70**	16,111,531.06
Additions/(Reversals) during the year	**2,176,820.42**	(507,826.36)
Balance at the end of the year	**17,780,525.12**	15,603,704.70

The Group assessed other receivables for impairment using the ageing analysis method at each of the year end and then reversed or added impairment for the year after comparing with the impairment of the preceding accounting year.

During the period of these financial statements ended 31 December 2017 and 31 December 2016, the Group did not write off any significant other receivables.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(5) Five largest other receivables by debtor at the end of the year

		31 December 2017			
Entity name	**Nature of the receivable**	**Balance at the end of the year**	**Ageing**	**Percentage of total other receivables at the end of the year (%)**	**Provision for bad and doubtful debts**
Bengbu Urban Administrative and Law Enforcement Bureau	Performance bond	10,000,000.00	2–3 years	16%	–
Shenzhen Hanyang Holdings Company (深圳瀚洋控股公司)	Current accounts of a former shareholder	6,988,073.50	Over 5 years	11%	(6,988,073.50)
Dynagreen Environment Investment Limited (綠色動力環保投資有限公司)	Current accounts of a former shareholder	5,160,600.00	Over 5 years	8%	(5,160,600.00)
Fan Jie	Earnest money for project cooperation	5,000,000.00	Within 1 year	8%	(250,000.00)
Ninghe County City Appearance and Landscape Management Committee	Performance bond	5,000,000.00	Within 1 year	8%	–
Total		32,148,673.50		51%	(12,398,673.50)

		31 December 2016			
Entity name	Nature of the receivable	Balance at the end of the year	Ageing	Percentage of total other receivables at the end of the year (%)	Provision for bad and doubtful debts
Bengbu Urban Administrative and Law Enforcement Bureau	Performance bond	50,000,000.00	Over 2 years	56%	–
Customs of Tianjin New Port	Tariff refunds receivable	4,005,396.70	Within 1 year	4%	–
Shenzhen Hanyang Holdings Company (深圳瀚洋控股公司)	Current accounts of a former shareholder	6,988,073.50	Over 5 years	8%	(6,988,073.50)
Dynagreen Environment Investment Limited (綠色動力環保投資有限公司)	Market expansion fees	5,160,600.00	Over 5 years	6%	(5,160,600.00)
Sheyang County Government	Performance bond	4,000,000.00	Over 5 years	4%	(800,000.00)
Total		70,154,070.20		78%	(12,948,673.50)

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories

(1) Inventories by category

Type of inventories	31 December 2017 Book value	Provision for impairment of inventories	Carrying amount
Turnover materials	13,468,671.92	—	13,468,671.92

Type of inventories	31 December 2016 Book value	Provision for impairment of inventories	Carrying amount
Turnover materials	10,080,623.09	—	10,080,623.09
Finished goods	21,846,803.42	—	21,846,803.42
Total	31,927,426.51	—	31,927,426.51

As at 31 December 2017 and 31 December 2016, the Group's year-end balance of inventories neither included capitalised borrowing costs nor was pledged as security.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories (Continued)

(2) An analysis of the movements of inventories is as follows:

Type of inventories	31 December 2017 Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year
Turnover materials	10,080,623.09	91,802,960.59	(88,414,911.76)	13,468,671.92
Finished goods	21,846,803.42	—	(21,846,803.42)	—
Sub-total	31,927,426.51	91,802,960.59	(110,261,715.18)	13,468,671.92
Less: Provision for impairment of inventories	—	—	—	—
Total	31,927,426.51	91,802,960.59	(110,261,715.18)	13,468,671.92

Type of inventories	31 December 2016 Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year
Turnover materials	7,719,236.84	74,581,329.82	(72,219,943.57)	10,080,623.09
Work in progress	7,650,427.35	14,196,376.07	(21,846,803.42)	—
Finished goods	—	21,846,803.42	—	21,846,803.42
Sub-total	15,369,664.19	110,624,509.31	(94,066,746.99)	31,927,426.51
Less: Provision for impairment of inventories	—	—	—	—
Total	15,369,664.19	110,624,509.31	(94,066,746.99)	31,927,426.51

The Company entered into contracts with customers to provide incinerator and heat recovery steam generator equipment, and it also subcontracted with a few suppliers to produce incinerators, heat recovery steam generators, wear-resistant castings and other equipment. The Company recognised the goods subcontracted to suppliers for production as work in progress based on the progress of suppliers. In 2016, all goods subcontracted to supplies for production completed, and the Company accounted those goods as finished goods. As of 31 December 2017, the Company completed the delivery of incinerator and heat recovery steam generator equipment.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Long-term receivables due within one year

Item	2017	2016
BOT projects	34,968,961.67	30,363,097.45
BT projects	25,284,507.87	9,995,447.70
Total	60,253,469.54	40,358,545.15

For the long-term receivables due within one year with restricted ownership, please see Note V.46.

8. Other current assets

As at the end of each accounting year, the other current assets of the Group comprise deductible VAT, listing expenses of A shares, prepaid income tax and investment capital receivables.

9. Long-term receivables

	31 December 2017		
Item	Book value	Provision for bad and doubtful debts	Carrying amount
BOT projects	2,801,580,953.46	—	2,801,580,953.46
BT projects	80,512,693.80	—	80,512,693.80
Performance bond	29,615,432.83	—	29,615,432.83
Sub-total	2,911,709,080.09	—	2,911,709,080.09
Less: Due within one year	(60,253,469.54)	—	(60,253,469.54)
Total	2,851,455,610.55	—	2,851,455,610.55

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term receivables (Continued)

Item	31 December 2016 Book value	Provision for bad and doubtful debts	Carrying amount
BOT projects	2,163,805,532.61	—	2,163,805,532.61
BT projects	144,426,424.94	—	144,426,424.94
Performance bond	28,479,393.90	—	28,479,393.90
Sub-total	2,336,711,351.45	—	2,336,711,351.45
Less: Due within one year	(40,358,545.15)	—	(40,358,545.15)
Total	2,296,352,806.30	—	2,296,352,806.30

As at 31 December 2017 and 31 December 2016, the ranges of discount rate of the long-term receivables of BOT projects were 4.90%–8.53% and 5.32%–8.13%; the ranges of discount rate of the long-term receivables of BT projects were 6.99% and 4.52%–6.99%.

For the long-term receivables with restricted ownership, please see Note V.46.

10. Long-term equity investments

Long-term equity investments by category at the end of the year:

Item	**2017**	2016
Investments in an associate	–	3,500,000.00
Sub-total	–	3,500,000.00
Less: Provision for impairment	–	—
Total	–	3,500,000.00

For the year ended 31 December 2017 and 31 December 2016, no significant change in long-term equity investments. In 2017, the associate invested by the Group completed the cancellation of its industrial and commercial registration.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets

Item	Motor vehicles	Office and other equipment	Total
Cost			
1 January 2016	9,478,147.88	11,895,199.90	21,373,347.78
Additions during the year — Purchases	854,276.74	2,585,129.11	3,439,405.85
Disposals during the year	—	(401,448.86)	(401,448.86)
31 December 2016 and 1 January 2017	10,332,424.62	14,078,880.15	24,411,304.77
Additions during the year — Purchases	833,126.63	3,438,161.61	4,271,288.24
Disposals during the year	(491,635.00)	(199,258.22)	(690,893.22)
31 December 2017	10,673,916.25	17,317,783.54	27,991,699.79
Accumulated depreciation			
1 January 2016	6,294,829.61	5,535,081.39	11,829,911.00
Additions during the year — Purchases	933,820.70	1,808,145.56	2,741,966.26
Disposals during the year	—	(377,980.26)	(377,980.26)
31 December 2016 and 1 January 2017	7,228,650.31	6,965,246.69	14,193,897.00
Additions during the year — Purchases	991,649.89	2,204,687.92	3,196,337.81
Disposals during the year	(467,053.25)	(154,100.84)	(621,154.09)
31 December 2017	7,753,246.95	9,015,833.77	16,769,080.72
Carrying amounts			
31 December 2017	2,920,669.30	8,301,949.77	11,222,619.07
31 December 2016	3,103,774.31	7,113,633.46	10,217,407.77

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Intangible assets

(1) Intangible assets

Item	Operating rights	Software	Construction license	Total
Cost				
1 January 2016	1,463,691,850.63	619,227.70	6,529,123.58	1,470,840,201.91
Additions during the year				
— Purchase/construction	614,340,121.29	90,794.87	—	614,430,916.16
Exchange gains and losses	1,572,058.63	—	—	1,572,058.63
31 December 2016 and 1 January 2017	2,079,604,030.55	710,022.57	6,529,123.58	2,086,843,176.70
Additions during the year				
— Purchase/Construction	451,367,265.32	—	—	451,367,265.32
Exchange gains and losses	(914,731.76)	—	—	(914,731.76)
31 December 2017	2,530,056,564.11	710,022.57	6,529,123.58	2,537,295,710.26
Accumulated amortisation				
1 January 2016	159,977,950.48	217,162.42	3,396,442.65	163,591,555.55
Charge for the year	48,858,913.28	55,238.19	—	48,914,151.47
Exchange gains and losses	715,298.97	—	—	715,298.97
31 December 2016 and 1 January 2017	209,552,162.73	272,400.61	3,396,442.65	213,221,005.99
Charge for the year	70,124,274.04	74,430.05	—	70,198,704.09
Exchange gains and losses	(212,827.13)	—	—	(212,827.13)
31 December 2017	279,463,609.64	346,830.66	3,396,442.65	283,206,882.95
Provision for impairment				
1 January 2016, 31 December 2016 and 31 December 2016	—	—	3,132,680.93	3,132,680.93
Carrying amounts				
31 December 2017	2,250,592,954.47	363,191.91	—	2,250,956,146.38
31 December 2016	1,870,051,867.82	437,621.96	—	1,870,489,489.78

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Intangible assets (Continued)

(1) Intangible assets (Continued)

(a) The cost of operating rights is recognised using the method stated in Note III.15(1). The operating rights were deemed to be definite life intangible assets as the BOT arrangements stated that the operation periods vary from 23 years to 30 years.

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. As at 31 December 2017 and 31 December 2016, the recoverable amounts of the operating right are estimated to be higher than the carrying amount, and no impairment is required.

For those waste-to-energy projects which have commenced operation, the Group assesses the recoverable amount of each operating right when an indication of impairment has been identified. As at 31 December 2017 and 31 December 2016, the recoverable amounts of the operating right are estimated to be higher than the carrying amount, and no impairment is required.

(b) As at 31 December 2015, due to changes in its operation arrangements, the Group expected that the construction license might not generate sufficient cash flows to compensate the cost of construction license in future, and thus made full provision for impairment of the construction license.

(2) Land use rights pending certificate of ownership

The Group did not have land use rights pending certificate of ownership.

(3) For the intangible assets with restricted ownership, please see Note V.46.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-term deferred expenses

	31 December 2017			
Item	**Balance at the beginning of the year**	**Additions during the year**	**Amortisation for the year**	**Balance at the end of the year**
Renovation costs for office under operating lease	**15,054.61**	**—**	**(15,054.61)**	**—**
Others	**1,591,112.87**	**—**	**(338,830.79)**	**1,252,282.08**
Total	**1,606,167.48**	**—**	**(353,885.40)**	**1,252,282.08**

	31 December 2016			
Item	Balance at the beginning of the year	Additions during the year	Amortisation for the year	Balance at the end of the year
Renovation costs for office under operating lease	167,294.47	—	(152,239.86)	15,054.61
Others	—	1,680,820.56	(89,707.69)	1,591,112.87
Total	167,294.47	1,680,820.56	(241,947.55)	1,606,167.48

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities

Item	2017 Deductible or taxable temporary differences ("()" for taxable temporary difference)	2017 Deferred tax assets or liabilities ("()" for liabilities)	2016 Deductible or taxable temporary differences ("()" for taxable temporary difference)	2016 Deferred tax assets or liabilities ("()" for liabilities)
Deferred tax assets:				
Tax losses	25,153,744.66	4,328,272.17	35,525,005.49	4,583,280.06
Provision for impairment	12,474,935.93	2,088,446.22	8,998,559.02	1,554,034.45
Unrealised profits	612,993,194.73	143,133,900.42	550,058,344.98	137,514,586.25
Amount offset	(18,883,748.04)	(4,059,934.48)	(21,128,526.25)	(3,521,719.25)
Balance after offsetting	631,738,127.28	145,490,684.33	573,453,383.24	140,130,181.51
Deferred tax liabilities:				
Temporary difference from operating rights and long-term receivables	(124,572,475.80)	(31,143,118.95)	(60,296,745.73)	(15,074,186.43)
PRC withholding tax on dividends	(25,195,219.85)	(2,519,521.98)	(50,254,320.85)	(5,025,432.08)
Amount offset	18,883,748.04	4,059,934.48	21,128,526.25	3,521,719.25
Balance after offsetting	(130,883,947.61)	(29,602,706.45)	(89,422,540.33)	(16,577,899.26)

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Deferred tax assets and deferred tax liabilities (Continued)

(2) Details of unrecognised deferred tax assets

During the period of these financial statements, the Group did not recognise deferred tax assets for the following items:

Item	2017	2016
Tax losses	3,542,527.56	2,539,366.72
Deductible temporary differences	12,585,399.18	12,219,385.85
Total	16,127,926.74	14,758,752.57

According to the accounting policy stated in Note III.23, as it is not probable for some of the Group's subsidiaries to obtain taxable profit which can be used to offset the loss and reversal of deductible temporary differences, and the Group expects that some provisions for bad and doubtful debts are not likely to be approved by the local competent tax authorities for being deducted from taxable income, the Group did not recognise deferred tax assets in respect of the above accumulated deductible tax losses and deductible temporary difference. According to the prevailing tax laws, these tax deductible losses may offset future taxable profits within 5 years after the year incurred.

(3) Expiration of deductible tax losses for unrecognised deferred tax assets

Item	2017	2016
2018	564,458.75	716,199.53
2019	—	—
2020	—	—
2021	1,823,167.19	1,823,167.19
2022	37,877,033.55	—
Total	40,264,659.49	2,539,366.72

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Other non-current assets

Item	2017	2016
Prepayments for BOT projects and equipment (Note 1)	192,111,846.76	228,621,534.56
Prepayments for acquisition of operating rights (Note 2)	203,815,324.54	101,590,820.85
Deductible VAT	119,709,404.61	55,384,350.83
Less: Provision for impairment	—	—
Sub-total	515,636,575.91	385,596,706.24
Less: Due within one year	—	—
Total	515,636,575.91	385,596,706.24

Note 1: The Company reviews the status of the preliminary expenses of prepayments for BOT projects regularly and makes provisions for impairment of the preliminary expenses incurred in case of any material uncertainty in project construction. The preliminary expenses and the related provisions for impairment made are written off for those preliminary expenses no longer belonging to the necessary expenditure of project construction. Shantou Dynagreen Renewable Energy Co., Ltd. (汕頭市綠色動力再生能源有限公司) ("**Shantou Company**") encountered difficulties in site selection in 2015 therefore there was a significant uncertainty for the recommencement of the Shantou BOT project. Accordingly, the Group made provisions for impairment of RMB4,979,031.60 for the preliminary expenses incurred by Shantou Company. At 31 December 2016, site of Shantou Company was re-confirmed. The Group considered that the preliminary expenses incurred no longer belong to the necessary expenditure of Shantou project construction, and therefore wrote off the provisions of RMB4,979,031.60 made for the preliminary expenses.

Note 2: The Group paid a total of RMB200 million to City Appearance Management Committee of Miyun County, Beijing (RMB100 million each in April 2016 and April 2017) for the acquisition of operating rights of a construction project of an integrated waste treatment centre in Miyun County. In addition, as at 31 December 2017, other expenses directly attributable to such operating rights of the Group amounted to RMB3,815,324.54.

16. Short-term loans

Item	2017	2016
Credit loans	310,154,600.00	310,000,000.00

At the end of each accounting year, the Group did not have past due short-term loans.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Accounts payable

Item	2017	2016
Payables for the purchase of materials, equipment and construction	480,416,745.67	364,475,188.35

(1) As at 31 December 2017 and 31 December 2016, the accounts payable aged over one year amounted to RMB81,489,454.90 and RMB47,879,007.74 respectively, which were mainly the final payments payable that were quality guarantee deposit of construction and equipment.

(2) The ageing analysis of accounts payable by recording date is as follows:

Item	2017	2016
Within 1 year (inclusive)	398,927,290.77	316,596,180.61
Over 1 year but within 2 years (inclusive)	50,629,132.17	47,879,007.74
Over 2 years but within 3 years (inclusive)	30,860,322.73	—
Total	480,416,745.67	364,475,188.35

18. Advances from customers

Details of advances from customers are as follows:

Item	2017	2016
Electricity fees received in advance	368,370.67	—
Proceeds from sales of boiler and equipment received in advance	—	16,399,999.91
Others	500,000.00	521,506.00
Total	868,370.67	16,921,505.91

As at 31 December 2016, the advances from customers aged over one year of the Group amounted to RMB16,399,999.91, which were the proceeds from sales of boiler and equipment received in advance from a third party customer. As at 31 December 2017, the delivery of boiler and equipment was completed. As at 31 December 2017, the Group did not have significant advances from customers aged over one year.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee benefits payable

(1) Employee benefits payable:

	31 December 2017			
	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Short-term employee benefits	44,767,895.05	187,174,235.70	(182,959,658.61)	48,982,472.14
Post-employment benefits — defined contribution plans	3,625,786.34	17,540,122.23	(17,386,963.55)	3,778,945.02
Total	48,393,681.39	204,714,357.93	(200,346,622.16)	52,761,417.16

	31 December 2016			
	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Short-term employee benefits	41,704,022.57	160,290,710.82	(157,226,838.34)	44,767,895.05
Post-employment benefits — defined contribution plans	3,607,283.84	14,273,197.57	(14,254,695.07)	3,625,786.34
Total	45,311,306.41	174,563,908.39	(171,481,533.41)	48,393,681.39

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee benefits payable (Continued)

(2) Short-term employee benefits

	31 December 2017			
	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Salaries, bonuses, allowances and subsidies	38,639,730.45	147,295,482.73	(143,892,290.59)	42,042,922.59
Staff welfare	133,776.56	8,372,378.86	(8,181,418.43)	324,736.99
Social insurance	66,367.72	9,228,643.40	(9,131,521.78)	163,489.34
Medical insurance	53,515.52	7,933,259.70	(7,850,398.42)	136,376.80
Work-related injury insurance	8,212.05	556,756.92	(550,212.39)	14,756.58
Maternity insurance	4,640.15	738,626.78	(730,910.97)	12,355.96
Housing fund	445,737.74	13,831,937.52	(13,835,807.47)	441,867.79
Labour union fee, staff and workers' education fee	5,489,810.17	3,370,535.71	(2,892,135.02)	5,968,210.86
Commercial insurance	(7,527.59)	4,262,507.29	(4,213,735.13)	41,244.57
Others	—	812,750.19	(812,750.19)	—
Total	44,767,895.05	187,174,235.70	(182,959,658.61)	48,982,472.14

	31 December 2016			
	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Salaries, bonuses, allowances and subsidies	36,129,797.67	128,724,067.00	(126,214,134.22)	38,639,730.45
Staff welfare	106,915.23	6,653,343.62	(6,626,482.29)	133,776.56
Social insurance	60,600.11	7,237,203.53	(7,231,435.92)	66,367.72
Medical insurance	50,196.32	6,172,838.75	(6,169,519.55)	53,515.52
Work-related injury insurance	6,095.91	430,768.41	(428,652.27)	8,212.05
Maternity insurance	4,307.88	633,596.37	(633,264.10)	4,640.15
Housing fund	438,109.79	10,829,392.31	(10,821,764.36)	445,737.74
Labour union fee, staff and workers' education fee	4,985,089.28	2,755,317.57	(2,250,596.68)	5,489,810.17
Commercial insurance	(16,489.51)	3,588,813.12	(3,579,851.20)	(7,527.59)
Others	—	502,573.67	(502,573.67)	—
Total	41,704,022.57	160,290,710.82	(157,226,838.34)	44,767,895.05

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee benefits payable (Continued)

(3) Post-employment benefits — defined contribution plans

	31 December 2017			
	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Basic pension insurance	3,620,393.02	17,002,185.52	(16,853,336.90)	3,769,241.64
Unemployment insurance	5,393.32	537,936.71	(533,626.65)	9,703.38
Total	3,625,786.34	17,540,122.23	(17,386,963.55)	3,778,945.02

	31 December 2016			
	Balance at the beginning of the year	Accrued during the year	Decreased during the year	Balance at the end of the year
Basic pension insurance	3,600,195.84	13,664,339.77	(13,644,142.59)	3,620,393.02
Unemployment insurance	7,088.00	608,857.80	(610,552.48)	5,393.32
Total	3,607,283.84	14,273,197.57	(14,254,695.07)	3,625,786.34

20. Taxes payable

Item	2017	2016
Business tax	—	535,583.05
CIT	23,020,489.08	29,876,148.01
Individual income tax	465,417.87	616,138.18
City maintenance and construction tax	574,388.46	963,300.64
Urban land use tax	584,478.04	577,202.47
Property tax	1,459,194.16	900,195.94
VAT	7,324,820.11	11,322,046.30
Others	527,786.11	942,962.52
Total	33,956,573.83	45,733,577.11

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Interest payable

Item	2017	2016
Interest payable for long-term loans with interest paid in instalments and principal repaid on maturity	10,360,145.02	8,787,243.40
Interest payable on short-term loans	193,333.33	394,520.86
Total	10,553,478.35	9,181,764.26

At the end of each accounting year, the Group did not have overdue interest payment.

22. Dividends payable

Item	2017	2016
Dividends for ordinary shares	1,287,651.80	—

23. Other payables

(1) Other payables by nature

Item	2017	2016
Payables for power grid lines construction projects	10,022,705.35	10,022,705.35
Intermediary fees payable	3,250,000.00	2,900,000.00
Risk guarantees due to suppliers	10,391,366.30	6,660,500.00
Others	15,185,674.03	10,779,384.12
Total	38,849,745.68	30,362,589.47

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Other payables (Continued)

(2) Significant other payables aged over one year

Significant other payables aged over one year at 31 December 2017:

Item	Balance at the end of the year	Reason for no repayment
Payables for power grid lines construction projects	10,022,705.35	Creditors did not request for repayment
Risk guarantees for suppliers	6,600,000.00	Risk guarantees for suppliers

Significant other payables aged over one year at 31 December 2016:

Item	Balance at the end of the year	Reason for no repayment
Payables for power grid lines construction projects	10,022,705.35	Creditors did not request for repayment

24. Non-current liabilities due within one year

Non-current liabilities due within one year by category are as follows:

Item	2017	2016
Long-term loans due within one year (Note)	353,058,281.54	318,844,456.45
Long-term payables due within one year	11,874,403.43	11,128,267.99
Total	364,932,684.97	329,972,724.44

Note: As at the end of each accounting year, the Group did not have overdue long-term loans due within one year.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Long-term loans

(1) Long-term loans by nature:

Item	2017	2016
Credit loans	126,000,000.00	80,158,376.10
Guaranteed and pledged loans	3,141,143,903.74	2,232,387,066.08
Less: Long-term loans due within one year	(353,058,281.54)	(318,844,456.45)
Total	2,914,085,622.20	1,993,700,985.73

The Group did not have long-term loans formed from overdue loans with extended term at the end of each accounting year.

For the details of the guaranteed loans provided by the Group at the end of each accounting year, please see Note X.5(1).

As at 31 December 2017 and 31 December 2016, the interest rates of the Group's long-term loans were 4.41%–6.70% and 4.17%–5.77% respectively.

In 2016, Beijing Dynagreen Environment Co., Ltd. (北京綠色動力環保有限公司) ("**Tongzhou Company**"), a subsidiary of the Company, entered into a contract with Beijing State-owned Financial Leasing Company ("**BSOFL**"), pursuant to which, BSOFL appointed Tongzhou Company to purchase heat recovery steam generator and other equipment ("**underlying equipment**") from third party suppliers, amounting to RMB102,725,000.00. At the same time, BSOFL entered into an agreement with Tongzhou Company to hand over the underlying equipment to Tongzhou Company for the construction and operation of WTE projects in a BOT business model. According to the agreement, Tongzhou Company had to pay the initial payment of RMB5,136,250.00 to BSOFL on the date of receiving the consideration for the purchase from BSOFL, and pay RMB5,510,564.99 to BSOFL at each quarter during the first five years. In substance, the above arrangement was BSOFL paid for the price of equipment for Tongzhou Company initially, and then recovered the money from Tongzhou Company by instalments, which is financing in nature. The effective interest rate of such arrangements was 5.77%. As at 31 December 2017, the balance of related loans from BSOFL was RMB73,852,444.56 (2016: RMB91,010,820.66).

As at 31 December 2017 and 31 December 2016, the bank loans amounting to RMB1,114,713,628.58 and RMB751,696,405.59 of the Group were secured by certain accounts receivable relating to the Group's concessionary projects and operating rights (Note V.46).

As at 31 December 2017 and 31 December 2016, the bank loans amounting to RMB874,518,538.29 and RMB502,572,011.86 of the Group's subsidiaries were secured by the guarantees provided by the Company (Note X.5(1)).

As at 31 December 2017 and 31 December 2016, the bank loans amounting to RMB835,481,587.33 and RMB622,990,000.00 were secured by the guarantees provided by the parent company of the Group (Note X.5(1)).

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Long-term loans (Continued)

(2) Repayment terms of the long-term loans:

	2017	2016
Over 1 year but within 2 years (inclusive)	435,348,055.40	339,654,234.63
Over 2 years but within 5 years (inclusive)	1,229,774,996.63	846,894,591.40
Over 5 years	1,248,962,570.17	807,152,159.70
Total	2,914,085,622.20	1,993,700,985.73

26. Long-term payables

Item	2017	2016
Long-term payables for leachate treatment stations	655,999,801.97	690,021,805.83
Less: Long-term payables due within one year	(34,022,005.15)	(34,022,005.15)
Sub-total	621,977,796.82	655,999,800.68
Less: Unrecognised financing expenses	(302,284,621.21)	(324,432,221.64)
Total	319,693,175.61	331,567,579.04

The net amount of the above long-term payables due within one year deducting the unrecognised financing expenses is disclosed in Note V.24.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Deferred Income

Item	31 December 2017 Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year	Reason
Government grant (Note) — related to assets	19,000,000.04	—	(666,666.64)	18,333,333.40	Granted by the government

Item	31 December 2016 Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year	Reason
Government grant (Note) — related to assets	—	20,000,000.00	(999,999.96)	19,000,000.04	Granted by the government

Note: For the government grant of the Group recognised as deferred income, please see Note V.38.

As at the balance sheet date, the balance of deferred income within one year and over one year as shown in the balance sheet:

	2017	2016
Within one year (inclusive)	666,666.68	666,666.68
Over one year	17,666,666.72	18,333,333.36
Total	18,333,333.40	19,000,000.04

Note: Anshun Company received government grant in a total of RMB20,000,000.00 from Finance Bureau of Xixiu District, Anshun as the infrastructure subsidies for the Anshun WTE project in February 2016 and December 2016 respectively (RMB10,000,000.00 for each time). The government grant is related to assets and is amortised as BOT assets over 30 years, the operating period of the BOT assets of Anshun Company.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Share capital

	Note	**Share capital** RMB
As at 1 January 2016, 31 December 2016 and 31 December 2017	(a)	1,045,000,000.00

(a) On 19 June 2014, the Company conducted an initial public offering of 300,000,000 shares with a par value of RMB1 each on the Hong Kong Stock Exchange at a price of HK$3.45 per share, in which an amount of RMB300,000,000.00 was the par value of the ordinary shares and was included in the share capital of the Company, and the amount of RMB470,587,493.90 after deducting issuance expenses from the total amount of proceeds in the excess of the par value of the ordinary shares was included in the capital reserve of the Company.

On 29 June 2014, the underwriter of the Company in respect of the public offering project on the Hong Kong Stock Exchange exercised all of the over-allotment options stated in the Company's prospectus dated 9 June 2014 (the "**Prospectus**"), pursuant to which the Company issued 45,000,000 ordinary shares. The ordinary shares were issued at HK$3.45 per share on 3 July 2014. The additional proceeds of approximately RMB123,361,650.00 from the over-allotment issuance on 3 July 2014 were included in the share capital and capital reserve of the Company respectively.

29. Capital reserve

Item	Note	**Capital premium**
As at 1 January 2016, 31 December 2016 and 31 December 2017	V.28(a)	628,984,641.83

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Other comprehensive income

Item	2017 Balance at the beginning of the year attributable to shareholders of the company	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	After-tax amount attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the company
Other comprehensive income that may be reclassified to profit or loss						
Including: Translation differences arising from translation of foreign currency financial statements	**(4,313,765.13)**	**(5,784,455.20)**	**–**	**–**	**–**	**(10,098,220.33)**

Item	2016 Balance at the beginning of the year attributable to shareholders of the company	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	After-tax amount attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the company
Other comprehensive income that may be reclassified to profit or loss						
Including: Translation differences arising from translation of foreign currency financial statements	(10,559,833.62)	6,246,068.49	–	–	–	(4,313,765.13)

31. Surplus reserve

Statutory surplus reserve	2017	2016
Balance at the beginning of the year	**33,507,805.71**	22,381,880.39
Additions during the year	**22,871,911.53**	11,125,925.32
Balance at the end of the year	**56,379,717.24**	33,507,805.71

Pursuant to the Company Law of the PRC, after making up for the losses incurred in the previous years, 10% of the after-tax profit shall be appropriated to statutory reserve. When the accumulated appropriation exceeds 50% of the Company's registered capital, the Company may cease to make such allocation.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Retained earnings

	2017	2016
Retained earnings at the beginning of the year	390,468,518.09	201,948,752.50
Add: Net profits for the year attributable to shareholders of the company	206,477,431.15	230,995,690.91
Less: Appropriation for statutory surplus reserve	(22,871,911.53)	(11,125,925.32)
Distributions to shareholders (note 1)	(62,700,000.00)	(31,350,000.00)
Retained earnings at the end of the year (note 2)	511,374,037.71	390,468,518.09

Note 1: **Distributions to shareholders**

In July 2016, as resolved at the general meeting, the Company distributed dividends of RMB31,350,000.00 at RMB0.03 per share to shareholders and completed the payment of such dividends in August 2016.

In June 2017, as resolved at the general meeting, the Company distributed dividends of RMB62,700,000.00 at RMB0.06 per share to shareholders and completed the payment of such dividends in January 2018.

Note 2: **Retained earnings at the end of the year**

As at 31 December 2017, the consolidated retained earnings attributable to the Company included appropriation to surplus reserves made by the Company's subsidiaries amounting to RMB92,682,555.11 (2016: RMB68,053,838.64).

33. Operating income and operating costs

Item	2017	2016
Income from principal operations		
— Operation income	617,771,164.63	521,087,624.14
— Interest income from BOT and BT operations	167,067,383.63	143,247,350.66
Total	784,838,548.26	664,334,974.80
Costs of principal operations	(326,313,088.42)	(251,235,360.41)

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Taxes and surcharges

Item	2017	2016
Business tax	(535,583.05)	76,677.76
City maintenance and construction tax	5,082,276.44	5,315,693.98
Education surcharges	4,025,803.11	3,699,054.69
Property tax	7,428,302.09	4,216,415.82
Land use tax	2,555,251.64	1,529,684.23
Others	811,639.39	619,937.27
Total	19,367,689.62	15,457,463.75

According to Caikuai 2016 No. 22 Document, from 1 May 2016, property tax and land use tax shall be listed under this item. Prior to 1 May 2016, the relevant amounts should be listed under general and administrative expenses (January to April 2016: RMB2,288,159.53).

35. General and administrative expenses

Item	2017	2016
Staff cost	51,870,368.92	43,879,435.87
Research and development expenses	10,241,848.71	8,255,802.70
Depreciation and amortisation	2,967,794.89	1,948,583.48
Utilities and leasing expenses	2,154,356.65	1,859,174.07
Business entertainment expenses	4,342,606.10	3,968,203.06
Transportation expenses	5,174,338.91	3,997,247.15
Intermediary service fees	9,767,974.93	7,259,470.02
External labour costs	6,926,751.78	6,891,604.56
Tax expenses (Note)	87,499.73	2,703,302.78
Others	13,823,658.66	15,394,876.81
Total	107,357,199.28	96,157,700.50

Note: According to Caikuai [2016] No. 22 Document, from 1 May 2016, property tax and land use tax shall be listed under the taxes and surcharges item. For details, please see Note V.34.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Financial expenses

Item	2017	2016
Interest expenses from loans and accounts payable	174,939,228.71	135,932,053.18
Less: Borrowing costs capitalised	(20,165,220.33)	(15,816,913.73)
Interest income from deposits and accounts payable	(3,588,061.07)	(2,883,551.36)
Net exchange (gains)/losses	(103,336.36)	1,096,713.91
Other financial expenses	1,854,296.23	1,780,110.58
Total	152,936,907.18	120,108,412.58

The interest rates at which the borrowing costs were capitalised by the Group were 4.41%–5.77% for 2017 (2016: 4.41%–5.77%).

37. Impairment losses/(reversal of impairment losses) of assets

Item	2017	2016
Accounts receivable	1,300,365.70	(549,468.22)
Other receivables	2,176,820.42	(507,826.36)
Total	3,477,186.12	(1,057,294.58)

38. Other income

Government grants

	2017
Government grants related to assets	666,666.64
Government grants related to income	78,865,990.33
Total	79,532,656.97

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Other income (Continued)

Government grants (Continued)

(1) Government grants related to assets

Government grants related to assets of the Group for 2017 are as follows:

Item	Balance of deferred income at the beginning of the year	Grants obtained during the year	Included in other income	Included in non-operating income	Other changes	Balance of deferred income at the end of the year
Infrastructure subsidies for the Anshun WTE project	19,000,000.04	–	(666,666.64)	–	–	18,333,333.40

Note: In 2016, government grants related to assets were included in deferred income. Deferred income was amortised and recognised in non-operating income. For details, please see Note V.39 and Note V.27. In 2017, government grants related to assets was amortised and recognised in other income.

(2) Government grants related to income

Government grants related to income of the Group for 2017 are as follows:

Item	2017
Land use tax refunds	411,552.00
Subsidy for the upgrading and reconstruction of the environmental protection facilities for the industrial enterprises at the upstream of Hongfenghu, Anshun	200,000.00
Foreign trade promotion policy funds of Bengbu	358,000.00
Environmental protection guiding funds of Taizhou Company	760,000.00
Special financial incentives for upgrading from a small company to an enterprise above designated size of Yongjia Company	343,699.00
VAT refund income (Note IV.2)	76,021,364.46
Others	771,374.87
Total	78,865,990.33

Note: In 2016, government grants related to income were included in non-operating income. For details, please see Note V.39. In 2017, government grants related to income was included in other income.

The environmental protection guiding funds of Taizhou Company in 2017 amounting to RMB760,000.00 represented the second tranche of funds granted by Taizhou Finance Bureau and Taizhou Environmental Protection Bureau to Taizhou Company for pollution prevention and control and ecological environment protection. Taizhou Company received and utilised the funds in the first half of 2017.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Non-operating income

(1) Non-operating income by item is as follows:

Item	Note	2017	2016
Government grants	(2)	1,083,182.25	70,563,657.15
Gains from disposal of non-current assets		843.80	—
Others		705,246.56	561,581.89
Total		1,789,272.61	71,125,239.04

(2) Details of government grants:

Item	2017	2016	Related to assets/income
Refunds of property tax and land use tax	–	1,132,563.05	Related to income
Subsidy for the Anshun WTE project (Note V.27)	–	999,999.96	Related to assets
Special financial incentives for upgrading from a small company to an enterprise above designated size of Yongjia Company	–	500,000.00	Related to income
Environmental protection guiding funds of Taizhou Company	–	880,000.00	Related to income
VAT refund income (Note IV.2)	–	66,071,237.26	Related to income
Others	1,083,182.25	979,856.88	Related to income
Total	1,083,182.25	70,563,657.15	

The environmental protection guiding funds of Taizhou Company in 2016 amounting to RMB880,000.00 represented the funds granted by Taizhou Finance Bureau and Taizhou Environmental Protection Bureau to Taizhou Company for pollution prevention and control and ecological environment protection. Taizhou Company received and utilised such grants in 2016.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Non-operating expenses

Item	2017	2016
Losses from disposal of non-current assets	25,597.97	16,501.42
Others	997,318.62	184,458.12
Total	1,022,916.59	200,959.54

41. Income tax expenses

Item	2017	2016
Current tax expenses for the year based on tax law and relevant regulations	41,702,311.89	54,360,574.20
Adjustments for tax filling differences	(158,556.78)	18,247.32
Income tax refunds for the previous years*	—	(7,396,166.22)
Changes in deferred income tax	7,664,304.37	(24,620,734.57)
Total	49,208,059.48	22,361,920.73

* Pursuant to the Enterprise Income Tax Law, Wuhan Company and Yongjia Company, which were the subsidiaries of the Company, were entitled to CIT preferential benefits in 2015. For details, please see Note IV.2.1(2). Before obtaining such tax preferential benefits, the above subsidiaries made provisions for income tax based on the statutory tax rate of 25%. In 2016, Wuhan Company received an income tax refund of RMB2,300,849.88 by being entitled to tax preferential benefits in the first half of 2015; Yongjia Company received an income tax refund of RMB2,654,671.31 by being entitled to tax preferential benefits in 2013; the Company received an income tax refund of RMB2,440,645.03 overpaid in previous year.

(1) The analysis of changes in deferred income tax is set out below:

Item	2017	2016
Arising of temporary differences	7,664,304.37	(24,620,734.57)

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Income tax expenses (Continued)

(2) Reconciliation between income tax expenses and accounting profit:

Item	2017	2016
Profits before taxation	255,685,490.63	253,357,611.64
Statutory tax rate	25%	25%
CIT based on statutory tax rate	63,921,372.66	63,339,402.91
Effect of tax preferential benefits and tax rate differences	(15,481,431.86)	(28,262,971.03)
Non-deductible expenses	940,534.87	940,705.59
Effect of temporary differences or tax losses for which deferred tax asset was not recognised in previous years but recognised this year	–	(3,228,033.76)
Tax losses for which no deferred income tax was recognised	282,041.18	1,911.21
Adjustments for tax filling differences	(158,556.78)	18,247.32
Income tax refunds for the previous years	–	(7,396,166.22)
Tax effect of utilisation of tax losses not recognised of previous years	(38,041.15)	(3,628,219.23)
PRC withholding tax on dividends	(281,554.23)	1,681,066.58
Others	23,694.79	(1,104,022.64)
Income tax expenses for the year	49,208,059.48	22,361,920.73

42. Calculation of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company	206,477,431.15	230,995,690.91
Weighted average number of ordinary shares outstanding	1,045,000,000.00	1,045,000,000.00
Basic earnings per share (RMB/share)	0.20	0.22

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Calculation of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Weighted average number of ordinary shares is calculated as follows:

	2017	2016
Number of issued ordinary shares at the beginning/ end of the year	**1,045,000,000.00**	1,045,000,000.00

(2) Diluted earnings per share

The diluted earnings per share are the same as the basic earnings per share, because the Company did not have any potential dilutive shares during the year.

43. Supplementary information on income statement

Expenses in the income statement are analysed by their nature:

Item	2017	2016
Operating income	**784,838,548.26**	664,334,974.80
Less: Waste treatment and power generation costs	**(158,225,288.17)**	(120,731,589.70)
Depreciation and amortisation expenses	**(73,748,927.30)**	(51,898,065.28)
Employee benefits expenses	**(184,304,127.70)**	(160,071,229.76)
Auditors' fees — audit services	**(2,678,230.50)**	(3,043,930.18)
(Impairment losses)/reversal of impairment losses of assets	**(3,477,186.12)**	1,057,294.58
Rental expenses	**(2,092,980.00)**	(2,023,721.59)
Financial expenses	**(152,936,907.18)**	(120,108,412.58)
Other income	**79,532,656.97**	—
Other expenses	**(31,988,423.65)**	(25,081,988.15)
Operating profit	**254,919,134.61**	182,433,332.14

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Cash flow statement items

(1) Cash received from other operating activities

Item	2017	2016
Retention money	41,828,599.91	10,000,000.00
Land compensation	—	109,266,666.00
Government grants and others (Note)	4,633,054.68	26,054,001.82
Other monetary funds with restricted use	16,992,284.00	—
Total	63,453,938.59	145,320,667.82

Note: These government grants comprise the government grants related to the increase in principal of BOT long-term receivables and the government grants related to income other than VAT refunds.

(2) Cash paid for other operating activities

Item	2017	2016
Retention money	3,030,000.00	9,920,000.00
Intermediary service fee, travel and communication expenses and others	47,120,117.59	62,185,901.74
Total	50,150,117.59	72,105,901.74

(3) Cash received from other investing activities

Item	2017	2016
Interest income from deposits	3,252,022.14	2,883,551.36

(4) Cash paid for other financing activities

Item	2017	2016
Financing expenses	7,984,646.93	2,422,529.70

(5) Cash received from selling goods, rendering services and Build-Operate-Transfer ("**BOT**") and Build-Transfer ("**BT**") projects comprises the receipt of the principal and interest of long-term receivables. The increase in the principal of BOT and BT long-term receivables is listed in the cash outflows for operating activities item.

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Information on cash flow statement

(1) Supplementary information on cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

Item	2017	2016
Net profit	206,477,431.15	230,995,690.91
Add: Impairment losses/(Reversal of impairment losses) of assets	3,477,186.12	(1,057,294.58)
Depreciation of fixed assets	3,196,337.81	2,741,966.26
Amortisation of intangible assets	70,198,704.09	48,914,151.47
Amortisation of long-term deferred expenses	353,885.40	241,947.55
Losses from scrapping of fixed assets	24,754.17	16,501.42
Financial expenses	128,188,873.80	94,934,644.62
Decrease/(Increase) in inventories	18,458,754.59	(16,557,762.32)
Changes in deferred tax assets	(5,360,502.82)	(37,215,031.67)
Changes in deferred tax liabilities	13,024,807.19	12,594,297.10
Changes in restricted deposits	16,992,284.00	(19,826,400.00)
Increase in operating receivables	(690,651,111.95)	(390,466,573.16)
Decrease in operating payables	12,033,407.54	157,680,240.94
Net cash (used in)/generated from operating activities	(223,585,188.91)	82,996,378.54

(b) Net changes in cash:

Item	2017	2016
Cash at the end of the year	665,292,369.22	535,412,612.93
Less: Cash at the beginning of the year	(535,412,612.93)	(534,643,115.11)
Net increase in cash	129,879,756.29	769,497.82

(Expressed in Renminbi unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Information on cash flow statement (Continued)

(2) Components of cash

Item	2017	2016
Cash at bank and on hand		
Including: Cash on hand	27,274.70	40,287.58
Bank deposits available on demand	665,265,094.52	535,372,325.35
Other monetary funds with restricted use	29,200,000.00	46,192,284.00
Balance of cash at the end of the year	694,492,369.22	581,604,896.93
Less: Other monetary funds with restricted use	(29,200,000.00)	(46,192,284.00)
Balance of cash available on demand	665,292,369.22	535,412,612.93

46. Assets with restrictive ownership title or right of use

31 December 2017

Item	Note	Balance at the beginning of the year	Additions during the year	Decreases during the year	Balance at the end of the year	Reason for restriction
Assets for providing guarantees						Mainly used for
– Cash at bank and on hand	V.1	46,192,284.00	13,200,000.00	(30,192,284.00)	29,200,000.00	Issuing performance bond
– Intangible assets	V.12	1,189,395,042.65	498,384,327.46	(310,438,644.05)	1,377,340,726.06	Providing guarantees for loans
– Accounts receivable	V.3	69,056,868.03	649,928,102.26	(637,508,313.86)	81,476,656.43	Providing guarantees for loans
– Long-term receivables due within one year	V.7	20,021,007.89	17,810,034.34	(20,021,007.89)	17,810,034.34	Providing guarantees for loans
– Long-term receivables	V.9	979,526,148.25	94,431,452.58	(188,705,556.10)	885,252,044.73	Providing guarantees for loans
Total		2,304,191,350.82	1,273,753,916.64	(1,186,865,805.90)	2,391,079,461.56	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Assets with restrictive ownership title or right of use (Continued)

31 December 2016

Item	Note	Balance at the beginning of the year	Additions during the year	Decreases during the year	Balance at the end of the year	Reason for restriction
Assets for providing guarantees						
– Cash at bank and on hand	V.1	26,365,884.00	36,066,000.00	(16,239,600.00)	46,192,284.00	Mainly used for Issuing performance bond
– Intangible assets	V.12	939,075,479.78	275,943,160.30	(25,623,597.43)	1,189,395,042.65	Providing guarantees for loans
– Accounts receivable	V.3	88,021,787.41	412,351,859.32	(431,316,778.70)	69,056,868.03	Providing guarantees for loans
– Long-term receivables due within one year	V.7	15,074,528.78	20,021,007.89	(15,074,528.78)	20,021,007.89	Providing guarantees for loans
– Long-term receivables	V.9	949,154,465.41	187,480,504.60	(157,108,821.76)	979,526,148.25	Providing guarantees for loans
Total		2,017,692,145.38	931,862,532.11	(645,363,326.67)	2,304,191,350.82	

47. Foreign currency translation

Blue-ocean Environment is registered in Hong Kong and its financial statements are stated in Hong Kong dollars. The accounting policy used by the Company in the translation of the financial statements of Blue-ocean Environment is stated in Note III.8. The spot exchange rates adopted in the translation of the financial statements at the balance sheet date are as follows:

Item	**2017**	2016
HKD	**0.8652**	0.8945

(Expressed in Renminbi unless otherwise indicated)

VI. CHANGE OF CONSOLIDATION SCOPE

1. Subsidiaries established during the period of these financial statements

2016

During the year, subsidiaries including Beijing Dynagreen Renewable Energy Co., Ltd. (北京綠色動力再生能源有限公司) ("Miyun Company") and Yichun Dynagreen Renewable Energy Co., Ltd. (宜春綠色動力再生能源有限公司) ("Yichun Company") were established.

2017

During the year, a subsidiary, Wenzhou Dynagreen Environmental Energy Co., Ltd. (溫州綠動環保能源有限公司) ("Wenzhou Company") was established.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Composition of the Group

Name of subsidiary	Principal place of business and registration place	Business nature	Registered capital/ paid-in capital		Shareholding (%)		Acquisition method
			Currency	Amount in original currency	Direct	Indirect	
Taizhou Company	Taizhou, Jiangsu	Waste treatment and power generation	Renminbi	180 million/ 180 million	100%	–	Establishment
Yongjia Company	Yongjia, Zhejiang	Waste treatment and power generation	Renminbi	100 million/ 100 million	100%	–	Establishment
Pingyang Company	Pingyang, Zhejiang	Waste treatment and power generation	Renminbi	100 million/ 100 million	100%	–	Establishment
Rushan Company	Rushan, Shandong	Waste treatment and power generation	Renminbi	100.88 million/ 100.88 million	100%	–	Establishment
Beijing Research Institute	Beijing	Environmental protection project research	Renminbi	15 million/ 15 million	100%	–	Establishment
Zhangqiu Dynagreen Renewable Energy Co., Ltd. (章丘綠色動力再生能源有限公司) ("**Zhangqiu Company**")	Zhangqiu, Shandong	Waste treatment and power generation	Renminbi	120.88 million/ 120.88 million	100%	–	Establishment
Anshun Company	Anshun, Guizhou	Waste treatment and power generation	Renminbi	100 million/ 100 million	98%	2% (a)	Establishment
Jurong Company	Jurong, Jiangsu	Waste treatment and power generation	Renminbi	100 million/ 100 million	98%	2% (a)	Establishment
Pingyao Dynagreen Renewable Energy Co., Ltd. (平遙縣綠色動力再生能源有限公司) ("**Pingyao Company**")	Pingyao, Shanxi	Waste treatment and power generation	Renminbi	100 million/ 20 million	99%	1% (b)	Establishment
Huizhou Company	Huiyang, Guangdong	Waste treatment and power generation	Renminbi	220 million/ 220 million	99%	1% (b)	Establishment
Jixian Company	Tianjin	Waste treatment and power generation	Renminbi	100 million/ 100 million	60%	40% (c)	Establishment

(Expressed in Renminbi unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

Composition of the Group (Continued)

Name of subsidiary	Principal place of business and registration place	Business nature	Registered capital/ paid-in capital		Shareholding (%)		Acquisition method
			Currency	Amount in original currency	Direct	Indirect	
Tianjin Dynagreen Environmental Energy Co., Ltd. (天津綠動環保能源有限公司) ("**Ninghe Company**")	Ninghe, Tianjin	Waste treatment and power generation	Renminbi	100 million/ 100 million	99%	1% (b)	Establishment
Hongan Company	Hongan, Hubei	Waste treatment and power generation	Renminbi	100 million/ 14 million	99%	1% (b)	Establishment
Tongzhou Company	Beijing	Waste treatment and power generation	Renminbi	375 million/ 150 million	99.73%	0.27% (d)	Establishment
Shantou Company	Shantou, Guangdong	Waste treatment and power generation	Renminbi	160 million/ 127.01 million	75%	25% (e)	Establishment
Longhui Company	Longhui, Hunan	Waste treatment and power generation	Renminbi	100 million/ 20 million	100%	–	Establishment
Bobai Company	Bobai, Guangxi	Waste treatment and power generation	Renminbi	100 million/ 79.1 million	75%	25% (e)	Establishment
Bengbu Company	Bengbu, Anhui	Waste treatment and power generation	Renminbi	166 million/ 166 million	100%	–	Establishment
Changzhou Company	Changzhou, Jiangsu	Waste treatment and power generation	Renminbi	138.4 million/ 138.4 million	75%	25% (e)	Business combination involving entities under common control
Qingdao Dynagreen Renewable Energy Co., Ltd. (青島綠色動力再生能源有限公司) ("**Qingdao company**")	Qingdao, Shandong	Waste treatment and power generation	Hong Kong dollars	93.5 million/ 93.5 million	75%	25% (e)	Business combination involving entities under common control
Wuhan Company	Wuhan, Hubei	Waste treatment and power generation	Renminbi	129.484 million/ 129.484 million	100%	–	Business combination involving entities under common control
Blue-ocean Environment	Hong Kong	Investment holding	Hong Kong dollars	239.329 million/ 239.329 million	100%	–	Business combination involving entities under common control
Haining Company	Haining, Zhejiang	Waste treatment and power generation	Renminbi	100 million/ 100 million	100%	–	Business combination involving entities not under common control
Zhejiang Dongyang Fuli Construction Limited Company (浙江省東陽市富力建設有限公司) ("**Dongyang Fuli**")	Dongyang, Zhejiang	Construction project	Renminbi	20.8 million/ 20.8 million	100%	–	Business combination involving entities not under common control
Miyun Company	Miyun, Beijing	Waste treatment and power generation	Renminbi	120 million/ 101 million	100%	–	Establishment
Yichun Company	Yichun, Jiangxi	Waste treatment and power generation	Renminbi	165 million/ 36.416 million	90% (f)	–	Establishment
Wenzhou Company	Yongjia, Zhejiang	Waste treatment and power generation	Renminbi	100 million/ 49 million	51%	49% (g)	Establishment

VII. INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

Composition of the Group (Continued)

(a) 2% held by Beijing Research Institute;

(b) 1% held by Beijing Research Institute;

(c) 40% held by Blue-ocean Environment;

(d) 0.27% held by Beijing Research Institute;

(e) 25% held by Blue-ocean Environment;

(f) 10% of equity interest in Yichun Company is held by Yichun City Development Co., Ltd. (宜春市城市發展有限公司);

(g) 49% held by Blue-ocean Environment.

2. Interests in an associate

	2017	2016
Associate — immaterial associate	–	3,500,000.00

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

— Credit risk

— Liquidity risk

— Interest rate risk

— Foreign currency risk

The following mainly presents information on the Group's exposure to each of the above risks and their sources, their changes during the year, and the Group's objectives, policies and processes for risk management, the method used in measuring risk, and their changes during the year.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

The objectives of the Group's risk management are to seek appropriate balance between the risks, and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate and acceptable risk limits and design corresponding internal controls processes, and to monitor risks and adherence to limits. Risk management policies and the relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's operating activities. The internal audit department of the Group undertakes both regular and random inspection of the internal control system for its compliance with risk management policies.

1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and on hand as well as receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with reputable financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the Group has established a practicable credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations mainly focus on the financial position and the external ratings of the customers. Receivables are due within 10–30 days from the date when the amount was confirmed by both parties. In general, the Group does not require collateral from customers.

In monitoring the Group's credit risk, customer data are analysed by the Group according to essential factors such as ageing.

The Group does not have any significant financial assets that are past due but not impaired at the end of each reporting period.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant receivables from individual customers. At 31 December 2017 and 31 December 2016, 2% and 2% of the total accounts receivable and other receivables of the Group were due from the five largest customers of the Group, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any other guarantees which would expose the Group to credit risk.

(Expressed in Renminbi unless otherwise indicated)

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

2 Liquidity risk

Liquidity risk is the risk that an enterprise may encounter shortage of fund in meeting obligations that are settled by the delivery of cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and 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. The Group's policy is to regularly monitor its short-term and long-term liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions, so as to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the balance sheet date 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 31 December) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flow as at 31 December 2017					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Short-term loans	(317,253,430.58)	–	–	–	(317,253,430.58)	(310,154,600.00)
Accounts payable	(480,416,745.67)	–	–	–	(480,416,745.67)	(480,416,745.67)
Interests payable	(10,553,478.35)	–	–	–	(10,553,478.35)	(10,553,478.35)
Dividends payable	(1,287,651.80)	–	–	–	(1,287,651.80)	(1,287,651.80)
Other payables	(38,849,745.68)	–	–	–	(38,849,745.68)	(38,849,745.68)
Non-current liabilities due within 1 year	(539,872,973.05)	–	–	–	(539,872,973.05)	(364,932,684.97)
Long-term payables	–	(28,943,760.15)	(86,831,280.45)	(506,202,754.93)	(621,977,795.53)	(319,693,175.61)
Long-term loans	–	(576,498,390.41)	(1,716,579,222.72)	(1,541,500,386.72)	(3,834,577,999.85)	(2,914,085,622.20)
Total	(1,388,234,025.13)	(605,442,150.56)	(1,803,410,503.17)	(2,047,703,141.65)	(5,844,789,820.51)	(4,439,973,704.28)

	Contractual undiscounted cash flow as at 31 December 2016					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Short-term loans	(316,479,116.44)	–	–	–	(316,479,116.44)	(310,000,000.00)
Accounts payable	(364,475,188.35)	–	–	–	(364,475,188.35)	(364,475,188.35)
Interests payable	(9,181,764.26)	–	–	–	(9,181,764.26)	(9,181,764.26)
Other payables	(30,362,589.47)	–	–	–	(30,362,589.47)	(30,362,589.47)
Non-current liabilities due within 1 year	(461,312,389.60)	–	–	–	(461,312,389.60)	(329,972,724.44)
Long-term payables	–	(34,022,005.15)	(86,831,280.45)	(535,146,515.08)	(655,999,800.68)	(331,567,579.04)
Long-term loans	–	(443,345,965.61)	(1,087,475,927.78)	(1,250,093,773.50)	(2,780,915,666.89)	(1,993,700,985.73)
Total	(1,181,811,048.12)	(477,367,970.76)	(1,174,307,208.23)	(1,785,240,288.58)	(4,618,726,515.69)	(3,369,260,831.29)

(Expressed in Renminbi unless otherwise indicated)

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

3 Interest rate risk

Interest-bearing financial instruments at fixed rates and at floating rates expose the Group to fair value interest risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments. The Group does not use derivative financial instruments to hedge interest rate risk.

(a) At 31 December 2017 and 31 December 2016, the Group held the following interest-bearing financial instruments:

Fixed rate financial instruments:

Item	2017 Effective interest rate (%)	2017 Amount	2016 Effective interest rate (%)	2016 Amount
Financial assets				
— Cash at bank and on hand	1.10	15,000,000.00	1.55–1.75	11,966,582.50
— Long-term receivables due within 1 year	4.52–8.00	60,253,469.54	4.52–8.13	40,358,545.15
— Long-term receivables	4.90–8.53	2,828,322,496.08	4.52–8.13	2,267,873,412.40
Financial liabilities				
— Short-term loans	0.00–4.35	(310,154,600.00)	3.92–4.35	(210,000,000.00)
— Long-term loans	4.51–5.38	(810,449,196.46)	4.35–5.77	(470,985,777.90)
— Long-term payables due within 1 year	5.73–8.51	(11,874,403.43)	4.64–8.51	(11,128,267.99)
— Long-term loans due within 1 year	4.51–5.38	(106,893,724.30)	4.35–5.77	(189,025,042.76)
— Long-term payables	5.73–8.51	(319,693,175.61)	4.64–8.51	(331,567,579.04)
Total		1,344,510,865.82		1,107,491,872.36

(Expressed in Renminbi unless otherwise indicated)

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

3 Interest rate risk (Continued)

(a) (Continued)

Floating rate financial instruments

Item	2017 Effective interest rate (%)	2017 Amount	2016 Effective interest rate (%)	2016 Amount
Financial assets				
— Cash at bank and on hand	**0.35**	**679,465,094.52**	0.35	569,598,026.85
Financial liabilities				
— Short-term loans	**–**	**–**	3.92	(100,000,000.00)
— Long-term loans due within 1 year	**4.41–6.70**	**(246,164,557.24)**	4.17–5.29	(129,819,413.69)
— Long-term loans	**4.41–6.70**	**(2,103,636,425.74)**	4.17–5.29	(1,522,201,057.83)
Total		**(1,670,335,888.46)**		(1,182,422,444.67)

(b) Sensitivity analysis

At 31 December 2017 and 31 December 2016, it was assumed that an increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's net profit and shareholders' equity by RMB14,760,058.88 and RMB9,971,706.80, respectively.

In respect of the cash flow interest rate risk arising from floating rate non-derivative instruments, which were held by the Group at the balance sheet date, the impact on the Group's net profit and shareholders' equity mentioned in the above sensitivity analysis was estimated as an annualised impact on interest expense or income of such a change in interest rates.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

4 Foreign currency risk

In respect of assets and liabilities denominated in foreign currencies other than the functional currency, such as cash at bank and on hand and accounts payable, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(a) As at 31 December 2017 and 31 December 2016, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies was presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded.

Item	**2017**	2016
Cash at bank and on hand		
— HKD	**114,858,347.00**	64,389,601.39
— EUR	**18,569.47**	17,390.18
— USD	**59,494,751.55**	63,189,631.01
Accounts payable		
— JPY	**(9,398,328.00)**	(9,672,811.12)
Gross balance sheet exposure	**164,973,340.02**	117,923,811.46

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		**Reporting date mid-spot rate**	
	2017	2016	**2017**	2016
HKD	**0.8652**	0.8662	**0.8359**	0.8945
EUR	**7.5546**	7.2010	**7.8023**	7.3068
USD	**6.7356**	6.7153	**6.5342**	6.9370
JPY	**0.0587**	0.0567	**0.0579**	0.0596

(Expressed in Renminbi unless otherwise indicated)

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (Continued)

4 Foreign currency risk (Continued)

(c) Sensitivity analysis

Assuming all other risk variables remained constant (except for foreign exchange rate), a 1% strengthening of the Renminbi against the Hong Kong dollar, Euro, US dollar and Japanese Yen at 31 December 2017 and 31 December 2016 would have increased (decreased) the Group's shareholders' equity and net profit by the amount shown below, whose effect was in Renminbi and translated using the spot rate at the balance sheet date:

Item	2017	2016
HKD	**(894,000.66)**	(508,996.29)
EUR	**(157.84)**	(147.82)
USD	**(496,781.18)**	(527,633.42)
JPY	**78,476.00**	80,767.97
Total	**(1,312,463.68)**	(956,009.56)

A 1% weakening of the Renminbi against Hong Kong dollar, Euro, US dollar and Japanese Yen at 31 December 2017 and 31 December 2016 would have had the equal but opposite effect to the Group's shareholders' equity and net profit by the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which exposed the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of foreign currency financial statements. The analysis is performed on the same basis using identical methods each year.

IX. FAIR VALUE DISCLOSURE

The following table presents the fair value information and the hierarchy of fair value measurement at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which the result of fair value measurement is categorised is determined by the lowest level input that is significant to the entire fair value measurement. The three levels of input are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1. Assets and liabilities measured at fair value

As at 31 December 2017 and 31 December 2016, the Group did not have assets and liabilities measured at fair value.

2. Fair value of financial assets and financial liabilities not measured at fair value

The financial assets and liabilities of the Group mainly include cash at bank and on hand, receivables and payables. There is no significant difference between the carrying amounts and fair values of these financial assets and liabilities.

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information on the parent of the Company

Company name	Related party relationship	Type of enterprise	Registered place	Legal representative	Business Nature	Registered capital	Shareholding percentage of the parent company in the Company (%)	Parent company's percentage of voting rights in the Company (%)	Ultimate controlling party of the Company	Organisation code
BSAM	Parent company	Limited company	Beijing	Li Aiqing	Investment management	RMB10 billion	47.96	47.96	Beijing SASAC	40059216-4

2. Information on the subsidiaries of the Company

For information on the subsidiaries of the Company, please refer to Note VII.1.

3. Information on an associate of the Company

For information on the associate of the Group, please refer to Note VII.2.

4. Information on other related parties

Information on other related parties that are not mentioned in the above notes 1,2 and 3 are disclosed as follows:

Names of other Related parties	Related party relationship	Organisation code
Beijing State-owned Assets Management (Hong Kong) Company Limited	Shareholder and a subsidiary of the Company's ultimate controlling party	N/A
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)	Shareholder	55782525-3
Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership)	Shareholder	56932835-0
Beijing Venture Capital Co., Ltd. (hereinafter referred to as "**Beijing Venture Capital**")*	Shareholder and a subsidiary of the Company's ultimate controlling party	63371298-0
Gongqingcheng Jingxiu Investment Partnership (Limited Partnership)# (共青城景秀投資合夥企業(有限合夥))	Shareholder	N/A
Zhongshang Longrun Huanke Investment Co., Ltd. (中商龍潤環科投資有限公司)	Shareholder	57908847-7
Beijing Huitai Hengrui Investment Co., Ltd. (北京惠泰恒瑞投資有限公司)	Shareholder	66911213-5
Beijing State-owned Financial Leasing Company (北京國資融資租賃公司)	A subsidiary of the Company's ultimate controlling party	06125014-2
Shenzhen Crystal Digital Technology Co., Ltd. (深圳水晶石數字科技有限公司)	A subsidiary of the Company's ultimate controlling party	724711406
Beijing Crystal Digital Technology Co., Ltd. (北京水晶石數字科技有限公司)	A subsidiary of the Company's ultimate controlling party	665629276

* 1.87% equity interest of the Company held by Beijing Venture Capital was transferred to BASM in February 2017. The registration of share transfer was completed in July 2017.

\# The senior management of the Company held shares in this company.

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties

The transactions below with related parties were conducted under normal commercial terms or agreements.

(1) Guarantee

The Group/the Company as a guarantee

2017

Name of guarantor	**Amount of guaranty**	**Commencement date of guarantee**	**Maturity date of guarantee**	**Guaranty completed (Y/N)**
BSAM*	**545,481,587.33**	9 December 2013	9 December 2023	N
BSAM*	**50,000,000.00**	26 May 2017	9 December 2023	N
BSAM*	**240,000,000.00**	26 August 2017	9 December 2023	N

2016

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
BSAM*	622,990,000.00	9 December 2013	9 December 2023	N

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(1) Guarantee (Continued)

The Company as a guarantor

2017

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
Pingyang Company	52,126,200.00	28 September 2015	27 September 2022	N
Wuhan Company	135,848,558.00	31 August 2011	14 August 2023	N
Yongjia Company	55,465,455.32	2 December 2010	1 December 2022	N
Huizhou Company	288,285,988.96	13 July 2015	13 July 2027	N
Huizhou Company	86,670,000.00	21 April 2017	1 October 2024	N
Jurong Company	144,877,237.13	5 December 2014	4 December 2024	N
Taizhou Company	136,000,000.00	28 December 2015	27 December 2017	N
Ninghe Company	170,000,000.00	28 December 2015	1 June 2023	N
Ninghe Company	133,460,933.14	15 November 2016	15 November 2028	N
Tongzhou Company	633,989,799.72	8 July 2016	7 July 2033	N
Tongzhou Company	866,700.00	23 February 2017	9 November 2033	N
Rushan Company	37,600,000.00	27 October 2016	27 October 2023	N
Bengbu Company	290,800,000.00	20 July 2016	19 July 2033	N
Anshun Company	70,184,000.00	21 April 2017	1 October 2024	N
Tongzhou Company	73,852,444.56	23 August 2016	19 September 2023	N
Total	2,310,027,316.83			

2016

Name of guarantor	Amount of guaranty	Commencement date of guarantee	Maturity date of guarantee	Guaranty completed (Y/N)
Pingyang Company	69,501,600.00	28 September 2015	27 September 2022	N
Wuhan Company	169,810,722.74	31 August 2011	14 August 2023	N
Yongjia Company	73,731,534.66	2 December 2010	1 December 2022	N
Huizhou Company	273,014,015.51	13 July 2015	13 July 2027	N
Jurong Company	157,927,237.13	5 December 2014	4 December 2024	N
Taizhou Company	180,000,000.00	28 December 2015	27 December 2017	N
Ninghe Company	165,294,654.27	28 December 2015	1 June 2023	N
Ninghe Company	5,347,760.00	15 November 2016	15 November 2028	N
Tongzhou Company	240,518,560.82	8 July 2016	7 July 2033	N
Rushan Company	47,000,000.00	27 October 2016	27 October 2023	N
Bengbu Company	156,300,000.00	20 July 2016	19 July 2033	N
Tongzhou Company	91,010,820.66	23 August 2016	19 September 2023	N
Total	1,629,456,905.79			

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(2) Remuneration of key management personnel

The Group

Item	2017	2016
Remuneration of key management personnel	10,962,411.32	11,333,491.34

The Company

Item	2017	2016
Remuneration of key management personnel	10,962,411.32	11,333,491.34

(a) Emoluments of directors and supervisors

The emoluments of each director and supervisor in 2017 are as follows:

	Remuneration of directors and supervisors	Salaries and allowances	Pension	Bonuses	2017 Total
Executive directors					
QIAO Dewei	–	869,767.74	33,305.22	1,085,450.00	1,988,522.96
HU Shengyong	–	593,045.74	35,867.16	730,000.00	1,358,912.90
Non-executive directors					
LIU Shuguang	–	–	–	–	–
GUO Yitao	–	–	–	–	–
MA Xiaopeng (note 2)	–	–	–	–	–
ZHI Jun	–	–	–	–	–
FENG Changzheng (note 1)	–	–	–	–	–
Independent non-executive directors					
CHEN Xin	50,000.00	–	–	–	50,000.00
KWAN Kai Cheong	207,648.00	–	–	–	207,648.00
OU Yuezhou	50,000.00	–	–	–	50,000.00
Supervisors					
HU Fang (note 4)	–	28,576.67	3,640.00	–	32,216.67
LUO Zhaoguo	–	–	–	–	–
WANG Meilin (note 3)	–	171,862.30	18,480.00	31,500.00	221,842.30
LIU Jingsong (note 6)	–	–	–	–	–
CAI Binquan (note 5)	–	–	–	–	–
Total	307,648.00	1,663,252.45	91,292.38	1,846,950.00	3,909,142.83

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(2) Remuneration of key management personnel (Continued)

(a) Emoluments of directors and supervisors (Continued)

The emoluments of each director and supervisor in 2016 are as follows:

	Remuneration of directors and supervisors	Salaries and allowances	Pension	Bonuses	2016 Total
Executive directors					
QIAO Dewei	–	863,399.90	29,968.38	1,053,600.00	1,946,968.28
HU Shengyong	–	581,927.90	32,273.64	720,000.00	1,334,201.54
Non-executive directors					
LIU Shuguang	–	–	–	–	–
GUO Yitao (note 7)	–	–	–	–	–
SUN Jing (note 8)	–	–	–	–	–
MA Xiaopeng	–	–	–	–	–
ZHI Jun	–	–	–	–	–
Independent non-executive directors					
CHEN Xin	50,000.00	–	–	–	50,000.00
KWAN Kai Cheong	240,000.00	–	–	–	240,000.00
OU Yuezhou	50,000.00	–	–	–	50,000.00
Supervisors					
HU Fang	–	104,152.48	10,725.00	15,500.00	130,377.48
LUO Zhaoguo	–	–	–	–	–
LIU Jingsong (note 6)	–	–	–	–	–
Total	340,000.00	1,549,480.28	72,967.02	1,789,100.00	3,751,547.30

Note 1: Mr. FENG Changzheng was appointed as a non-executive director on 9 June 2017.

Note 2: Mr. MA Xiaopeng resigned as a non-executive director on 9 June 2017.

Note 3: Ms. WANG Meilin was appointed as a supervisor on 2 June 2017.

Note 4: Ms. HU Fang resigned as a supervisor on 2 June 2017.

Note 5: Mr. CAI Binquan was appointed as a supervisor on 9 June 2017.

Note 6: Mr. LIU Jingsong resigned as a supervisor on 9 June 2017.

Note 7: Mr. GUO Yitao was appointed as a non-executive director on 18 April 2016.

Note 8: Ms. SUN Jing resigned as a non-executive director on 18 April 2016.

In 2016 and 2017, none of the Group's director terminated his/her benefits, and no consideration was paid to a third party for the service of directors.

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(2) Remuneration of key management personnel (Continued)

(b) Five highest paid individuals

The five individuals with the highest emoluments in 2017 include two directors (2016: two), whose emoluments are disclosed in the table above. The aggregate of emoluments in respect of the other three (2016: three) individuals are as follows:

Item	2017	2016
Salaries and allowances	1,779,137.22	1,745,783.70
Pension	105,039.54	94,515.66
Bonuses	2,080,000.00	2,010,000.00
Total	3,964,176.76	3,850,299.36

Emolument band(s)	2017 Number of individuals	2016 Number of individuals
HKD		
1,000,001–1,500,000	—	3
1,500,001–2,000,000	3	—

(3) Management services provided for the construction for subsidiaries

The Company

Item	Related parties	2017	2016
Management services provided for the construction for subsidiaries	Huizhou Company	—	19,052,830.19
	Anshun Company	—	—
	Jurong Company	1,471,698.12	1,103,773.58
	Jixian Company	—	8,094,339.61
	Ninghe Company	9,116,377.35	39,314,377.37
	Tongzhou Company	39,290,762.27	28,649,514.19
	Bengbu Company	33,022,894.11	23,967,300.03
	Taizhou Company	9,436,219.39	—
Total		92,337,951.24	120,182,134.97

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(4) Provision of technical implementation licence for subsidiaries

The Company

Item	Related parties	2017	2016
Provision of technical implementation licence for subsidiaries	Huizhou Company	–	24,000,000.00
	Jixian Company	–	15,000,000.00
Total		–	39,000,000.00

(5) Related-party loans

The Group

Related party	Amount (2017)	Commencement date (2017)	Maturity date (2017)
Borrowed from BSAM*	30,000,000.00	10 February 2017	10 February 2018

Related party	Amount (2016)	Commencement date (2016)	Maturity date (2016)
Borrowed from			
BSAM*	100,000,000.00	24 March 2016	14 July 2016
BSAM*	100,000,000.00	14 July 2016	8 November 2016
Beijing State-owned Financial Leasing Company* (北京國資融資租賃公司)	100,285,281.25	18 September 2016	17 September 2021
Total	300,285,281.25		

In 2017, the Group obtained an interest-free loan of RMB30 million from BSAM, which was repayable within 1 year. In 2016, the interest rate of the Group's related party loans from BSAM was 4.35%.

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(5) Related-party loans (Continued)

The Company

	2017		
Related party	**Amount**	**Commencement date**	**Maturity date**
Borrowed from			
Changzhou Company	10,000,000.00	29 March 2017	5 September 2017
BSAM	30,000,000.00	10 February 2017	10 February 2018
Total	40,000,000.00		

	2017		
Related party	**Amount**	**Commencement date**	**Maturity date**
Borrowed to			
Miyun Company	63,000,000.00	19 April 2017	31 March 2029
Jixian Company	2,000,000.00	24 January 2017	9 December 2023
Jixian Company	4,000,000.00	13 February 2017	9 December 2023
Jixian Company	9,900,000.00	8 August 2017	7 August 2018
Changzhou Company	9,900,000.00	4 August 2017	3 August 2018
Haining Company	9,900,000.00	4 August 2017	3 August 2018
Wuhan Company	20,000,000.00	18 September 2017	3 May 2018
Rushan Company	3,400,000.00	7 August 2017	3 May 2018
Rushan Company	50,000,000.00	25 December 2017	25 December 2018
Rushan Company	30,000,000.00	27 September 2017	27 September 2018
Huizhou Company	7,000,000.00	8 August 2017	7 August 2018
Jurong Company	10,000,000.00	28 February 2017	14 August 2017
Jurong Company	5,000,000.00	10 April 2017	14 August 2017
Jurong Company	7,500,000.00	16 June 2017	14 August 2017
Jurong Company	800,000.00	14 July 2017	14 August 2017
Jurong Company	9,900,000.00	8 August 2017	7 August 2018
Ninghe Company	3,000,000.00	12 July 2017	14 August 2017
Ninghe Company	5,000,000.00	3 August 2017	14 August 2017
Ninghe Company	5,000,000.00	12 September 2017	3 May 2018
Ninghe Company	4,000,000.00	27 October 2017	27 October 2018
Ninghe Company	15,000,000.00	9 November 2017	9 November 2018
Bobai Company	190,000,000.00	8 November 2017	8 November 2018
Total	464,300,000.00		

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(5) Related-party loans (Continued)

The Company (Continued)

Related party	Amount	Commencement date	Maturity date
	2016		
Borrowed from			
BSAM	100,000,000.00	24 March 2016	14 July 2016
BSAM	100,000,000.00	14 July 2016	8 November 2016
Dongyang Fuli (東陽富力)	20,000,000.00	30 March 2016	29 March 2016
Changzhou Company	20,000,000.00	1 May 2016	30 April 2017
Changzhou Company	10,000,000.00	8 July 2016	7 July 2017
Qingdao Company	45,000,000.00	29 June 2016	28 June 2017
Pingyao Company	18,000,000.00	22 November 2016	21 November 2017
Total	313,000,000.00		

Related party	Amount	Commencement date	Maturity date
	2016		
Borrowed to			
Rushan Company	94,730,000.00	11 March 2016	10 March 2017
Pingyang Company	10,000,000.00	26 August 2016	25 August 2017
Miyun Company	63,000,000.00	1 April 2016	1 April 2019
Huizhou Company	76,300,000.00	27 January 2016	14 April 2023
Anshun Company	157,000,000.00	5 December 2014	14 April 2023
Anshun Company	15,000,000.00	18 January 2016	18 January 2017
Jixian Company	100,000,000.00	22 August 2016	14 April 2023
Jixian Company	44,000,000.00	6 January 2016	14 April 2023
Ninghe Company	51,000,000.00	1 September 2016	31 August 2017
Total	611,030,000.00		

In 2017 and 2016, the interest rates of the Company's related-party loans ranged from 4.35%–6.70% and 4.35%–5.38%, respectively.

The maturity dates of the Group and the Company's related-party loans are the repayment date or actual repayment date as agreed in relevant contracts, whichever is earlier.

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(6) Interest income and expense on related-party loans

The Group

Related party	2017	2016
Payments of interests on related-party loans		
BSAM	–	2,585,833.34
Beijing State-owned Financial Leasing Company (北京國資融資租賃公司)	4,883,883.86	1,372,354.39
Total	4,883,883.86	3,958,187.73

The Company

Related party	2017	2016
Loan interests received from subsidiaries		
Changzhou Company	105,270.00	–
Huizhou Company	1,142,340.01	7,335,451.78
Rushan Company	1,127,549.18	5,061,732.25
Taizhou Company	–	2,131,653.70
Pingyang Company	160,959.15	1,016,251.05
Jixian Company	10,923,319.56	9,916,378.86
Anshun Company	9,434,003.36	11,131,127.45
Wuhan Company	180,041.67	187,513.89
Haining Company	180,633.75	489,737.49
Miyun Company	5,066,967.50	2,240,218.75
Ninghe Company	460,828.31	734,425.00
Jurong Company	498,724.10	–
Bobai Company	1,195,872.22	–
Total	30,476,508.81	40,244,490.22

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(6) Interest income and expense on related-party loans (Continued)

The Company (Continued)

Related party	2017	2016
Payments of interests on related-party loans		
BSAM	—	2,585,833.34
Qingdao Company	1,274,912.49	2,487,608.34
Dongyang Fuli (東陽富力)	756,416.67	954,000.01
Zhangqiu Company	2,771,384.86	5,584,526.66
Other subsidiaries	1,118,433.33	1,509,511.34
Total	5,921,147.35	13,121,479.69

(7) Dividends received from subsidiaries

The Company

Related party	2017	2016
Yongjia Company	20,000,000.00	20,000,000.00
Haining Company	20,000,000.00	16,000,000.00
Huizhou Company	20,000,000.00	—
Changzhou Company	67,500,000.00	—
Wuhan Company	80,000,000.00	—
Pingyang Company	8,000,000.00	—
Total	215,500,000.00	36,000,000.00

(8) Purchase of related party

The Group

Related party	2017	2016
Shenzhen Crystal Digital Technology Co., Ltd.*	8,375,891.75	136,141.50
Beijing Crystal Digital Technology Co., Ltd.*	629,716.99	—
Total	9,005,608.74	136,141.50

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Transactions with related parties (Continued)

(9) The net outflow of fund transfers(except for related-party loans) with subsidiaries after deduction of the amounts set out in note (6)

Related party	2017	2016
Subsidiaries	(110,828,418.88)	(13,528,347.84)

In view of the frequent transactions of fund transfers between the Company and its subsidiaries for fund management purposes, the Company disclosed only the net changes of such fund transfers during the current period.

(10) Other related party transactions

Beijing Research Institute, a subsidiary of the Company, used the premise of BSAM as its registered address. The area of such premise was approximately 20 square meters and located in Room 1511, Block B, Fu Kai Building, 19 Financial Street, Xicheng District, Beijing. Beijing Research Institute entered into an agreement with BSAM with no consideration to fulfil relevant registration requirements. Such premise was not occupied by Beijing Research Institute and was still under the use of BSAM. The aforementioned agreement was entered into in December 2010 and renewed in June 2014. In October 2017, Beijing Research Institute submitted an application to change its registered address, and no longer used the aforesaid premise as its registered place.

* Those are connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

6. Balance of related party transactions

The Group

(1) Long-term loans with related party

Related party	2017	2016
Beijing State-owned Financial Leasing Company (北京國資融資租賃公司)	73,852,444.56	91,010,820.66

(2) Short-term loans with related party

Related party	2017	2016
BSAM	30,000,000.00	—

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions (Continued)

The Group (Continued)

(3) Payables to related party

The Group

Related party	2017	2016
Shenzhen Crystal Digital Technology Co., Ltd.	863,316.60	24,858.50

The Company

(1) Receivables from related parties

Name of project	Related parties	2017 Book value	2017 Provision for bad debts	2016 Book value	2016 Provision for bad debts
Service fee for project management	Jixian Company	–	–	11,700,000.00	–
Service fee for project management	Huizhou Company	–	–	18,360,000.00	–
Patent license transfer fee	Huizhou Company	–	–	12,000,000.00	–
Service fee for project management	Anshun Company	–	–	11,184,000.00	–
Patent license transfer fee	Anshun Company	–	–	15,000,000.00	–
Service fee for project management	Tongzhou Company	11,279,753.00	–	13,015,065.00	–
Service fee for project management	Bengbu Company	–	–	13,307,558.00	–
Service fee for project management	Ninghe Company	–	–	23,554,440.00	–
Total		11,279,753.00	–	118,121,063.00	–

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions (Continued)

The Company (Continued)

(2) Short-term loans with related parties

Related parties	2017	2016
BSAM	30,000,000.00	–
Pingyao Company	–	18,000,000.00
Dongyang Fuli (東陽富力)	–	20,000,000.00
Changzhou Company	–	30,000,000.00
Qingdao Company	–	45,000,000.00
Total	30,000,000.00	113,000,000.00

(3) Long-term loans with related party due within 1 year

Related party	2017	2016
Zhangqiu Company	–	87,190,000.00
Total	–	87,190,000.00

(4) Long-term loans with related party

Related party	2017	2016
Zhangqiu Company	500,000.00	–
Total	500,000.00	–

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions (Continued)

The Company (Continued)

(5) Other receivables from related parties

Related parties	2017	2016
Jurong Company	10,321,608.43	16,067,088.37
Pingyang Company	—	10,000,000.00
Rushan Company	50,000,000.00	—
Shantou Company	2,320,823.85	881,839.19
Jixian Company	10,250,307.96	—
Huizhou Company	80,233.41	6,521,839.65
Bengbu Company	407,714.19	2,459,860.16
Ninghe Company	1,148,168.00	51,000,000.00
Anshun Company	4,299,949.76	17,526,341.28
Wuhan Company	10,182,138.28	—
Tongzhou Company	—	2,852,738.12
Yongjia Company	561,570.94	4,145,342.37
Bobai Company	90,296,711.29	1,593,187.08
Haining Company	9,900,000.00	—
Other subsidiaries	1,858,506.65	2,678,807.85
Total	191,627,732.76	115,727,044.07

(6) Long-term receivables from related parties and long-term receivables due within 1 year

Related parties	2017	2016
Huizhou Company	—	66,300,000.00
Rushan Company	—	30,000,000.00
Anshun Company	138,000,000.00	197,000,000.00
Jixian Company	195,000,000.00	194,000,000.00
Miyun Company	126,000,000.00	63,000,000.00
Total	459,000,000.00	550,300,000.00

(Expressed in Renminbi unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Balance of related party transactions (Continued)

The Company (Continued)

(7) Advances from related parties

Related parties	2017	2016
Qingdao Company	10,000,000.00	10,000,000.00
Ninghe Company	9,059,400.00	—
Total	19,059,400.00	10,000,000.00

(8) Other payables to related parties

Related parties	2017	2016
Taizhou Company	489,880.00	2,417,610.00
Miyun Company	—	38,000,000.00
Ninghe Company	5,000,000.00	—
Total	5,489,880.00	40,417,610.00

(9) Interests receivable from related parties

Related parties	2017	2016
Jixian Company	17,038,260.80	6,175,406.65
Anshun Company	2,112,487.55	4,276,008.00
Huizhou Company	—	3,219,451.78
Other subsidiaries	1,748,982.80	824,033.50
Total	20,899,731.15	14,494,899.93

(10) Dividends receivable from related party

Related party	2017	2016
Haining Company	—	11,000,000.00

(Expressed in Renminbi unless otherwise indicated)

XI. CAPITAL MANAGEMENT

The Group's objectives in capital management are to safeguard its ability to continue as a going concern, so as to provide returns for shareholders while maintaining an optimal capital structure to reduce funding costs.

The Group's capital structure is managed on the basis of the gearing ratio. Gearing ratios is defined as total liabilities divided by total assets. The Group's strategy remained unchanged in 2017 and 2016. As at 31 December 2017 and 31 December 2016, the gearing ratios of the Group were 67.19% and 62.64% respectively.

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Item	2017	2016
Infrastructure construction contract authorised but not contracted for	**1,122,910,371.02**	599,523,771.85
Infrastructure construction contract contracted for and is or going to be effective	**981,083,543.85**	683,500,598.27
Equity investment contracted for but not paid	**90,000,000.00**	—
Total	**2,193,993,914.87**	1,283,024,370.12

(2) Operating lease commitments

As at 31 December, the total future minimum lease payment of the Group under non-cancellable operation leases of relevant properties were payable as follows:

Item	2017	2016
Within 1 year (inclusive)	**728,382.00**	530,189.80
After 1 year but within 2 years (inclusive)	**211,788.00**	—
Total	**940,170.00**	530,189.80

2. Contingencies

At 31 December 2017 and 31 December 2016, the Company provided external parties with joint and several liability guarantee in regard to bank loans (Note X.5(1)), all guarantees of which were its subsidiaries. The Group has no material contingency which need to be disclosed.

(Expressed in Renminbi unless otherwise indicated)

XIII.SUBSEQUENT EVENTS

1. Acquisition

On 14 December 2017, the Company and Fan Jie (范杰), an individual, entered into an agreement to acquire his 80% equity interest in Lvyi (Huludao) Environmental Services Limited* (綠益(葫蘆島)環境服務有限公司, hereinafter referred to as "**Lvyi Environmental Services**") at a consideration of RMB90 million. The acquisition consideration was determined with reference to the valuation report issued by Beijing Zhongheng Zhengyuan Assets Appraisal Co., Ltd.* (北京中恒正源資產評估有限責任公司) and the valuation was filed with BSAM. Lvyi Environmental Services, a project company registered for the construction and operation of the Huludao Industrial Waste Treatment and Disposal Center project by Fan Jie, was unrelated to the Company. During the period from 2 January 2018 to 5 January 2018, Lvyi Environmental Services completed the procedures, among other things, of amendments to the Articles of Association, change of the board of directors, change of industrial and commercial registration and completion of asset transfer. On 5 January 2018, the Company paid partial consideration and obtained the control over Lvyi Environmental Services, which became a subsidiary of the Company since then.

2. Profit appropriations after the balance sheet date

Item	Amount
Profit distributions or dividends proposed	104,500,000.00

On 9 March 2018, the Board of Directors proposed a dividend of RMB0.1 per ordinary share to the Company's ordinary shareholders, amounting to a total of RMB104,500,000.00. The proposal is subject to approval by the shareholders' general meeting. Such cash dividends are not recognised as a liability at the balance sheet date.

XIV.OTHER SIGNIFICANT ITEMS

Segment reporting

The Group conducted an evaluation in accordance with the requirements set out in note III.27 for the classification of operating segments. Based on the internal organisational structure, management requirements and internal reporting system of the Group, its operating and strategies-making functions are run as a whole. The financial information provided to the chief operating decision maker does not contain profit or loss information on each operating activity. Therefore, the management considers that the Group has only one operating segment, thus the Group does not have to prepare segment report.

The external transaction income and non-current assets(excluding financial assets and deferred income tax assets) acquired by the Group were primarily derived from or located in Mainland China.

(Expressed in Renminbi unless otherwise indicated)

XIV.OTHER SIGNIFICANT ITEMS (Continued)

Segment reporting (Continued)

For 2017, there were 3 customers (2016: 3) among the Group's customers, the separate income from which accounted for over 10% of the Group's total income, altogether representing approximately 37% (2016: 45%) of the Group's total income. The income from these customers are summarised as follows:

Item	2017	2016
Jiangsu State Grid Power Company (國網江蘇省電力公司)	128,719,337.14	127,960,239.96
Wenzhou Power Supply Company under Zhejiang State Grid Power Company (國網浙江省電力公司溫州供電公司)	83,846,221.54	83,918,059.59
Huizhou Power Supply Bureau of Guangdong Power Grid Co., Ltd (廣東電網有限責任公司惠州供電局)	81,225,366.09	below 10% of the Group's total income
Wuhan State Grid Power Supply Company (國網武漢供電公司)	below 10% of the Group's total income	87,579,372.14

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Accounts receivable by customer type:

Customer type	2017	2016
Related party	11,279,753.00	118,121,063.00
Third party	12,792,000.00	—
Sub-total	24,071,753.00	118,121,063.00
Less: Provision for bad debts	(639,600.01)	—
Total	23,432,152.99	118,121,063.00

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) The ageing analysis of accounts receivable is as follows:

	2017	2016
Within 1 year (inclusive)	24,071,753.00	88,817,063.00
Over 1 year but within 2 years (inclusive)	—	29,304,000.00
Sub-total	24,071,753.00	118,121,063.00
Less: Provision for bad debts	(639,600.01)	—
Total	23,432,152.99	118,121,063.00

The ageing is counted starting from the date when accounts receivable are recognised.

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(3) Accounts receivable as disclosed by category:

		31 December 2017				
		Book value		Provision for bad debts		
Category	Note	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Accounts receivable that are individually significant and subject to separate assessment for provision for bad debts	(a)	–	0%	–	0%	–
Accounts receivable that were assessed for provision for bad debts by groups (note)						
Group 1		11,279,753.00	47%	–	0%	11,279,753.00
Group 2	(b)	12,792,000.00	53%	(639,600.01)	100%	12,152,399.99
Sub-total of groups		24,071,753.00	100%	(639,600.01)	100%	23,432,152.99
Accounts receivable that are individually insignificant but subject to separate assessment for provision for bad debts		–	0%	–	0%	–
Total		24,071,753.00	100%	(639,600.01)	100%	23,432,152.99

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(3) Accounts receivable as disclosed by category: (Continued)

		31 December 2016				
		Book value		Provision for bad debts		
Category	Note	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Accounts receivable that are individually significant and subject to separate assessment for provision for bad debts	(a)	–	0%	–	0%	–
Accounts receivable that were assessed for provision for bad debts by groups (note)						
Group 1		118,121,063.00	100%	–	0%	118,121,063.00
Group 2	(b)	–	0%	–	0%	–
Sub-total of groups		118,121,063.00	100%	–	0%	118,121,063.00
Accounts receivable that are individually insignificant but subject to separate assessment for provision for bad debts		–	0%	–	0%	–
Total		118,121,063.00	100%	–	0%	118,121,063.00

Note: In respect of accounts receivable having been individually assessed but not impaired as shown above, such items will be included in other groups of accounts receivables that have similar credit risk characteristics, for another assessment against impairment.

The balance of the Company's accounts receivable as at the end of each reporting year is denominated in RMB.

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(3) Accounts receivable as disclosed by category: (Continued)
The Company does not hold any collateral over the above accounts receivable, the provision for bad debt of which was assessed.

(a) Accounts receivable that are individually significant and subject to separate assessment for provision for bad debts

As at 31 December 2017 and 31 December 2016, the Company does not have accounts receivable that are individually significant and subject to separate assessment for provision for bad debts.

(b) Accounts receivable which were assessed for provision for bad debts using the ageing analysis method ("Group 2")

At 31 December 2016, the Company does not have accounts receivable that were assessed for provision for bad debts using the ageing analysis method.

	31 December 2017		
Ageing	**Book value**	**Provision for bad debts**	**Percentage**
Within 1 year (inclusive)	**12,792,000.00**	**(639,600.01)**	**5%**

(4) Additions, transfers or written-off of provision for bad debts in the year:

Item	**2017**	2016
Balance at the beginning of the year	**–**	614,962.11
Additions/(reversals) during the year	**639,600.01**	(614,962.11)
Balance at the end of the year	**639,600.01**	–

The Company assessed the accounts receivable for impairment using ageing analysis method at each of the year end and then reversed or added impairment for the year after comparing with the impairment of the preceding accounting year.

For the year ended 31 December 2017 and 2016, the Company did not write off any accounts receivable.

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(5) Five largest accounts receivable by debtor at the end of the year

At 31 December 2017, the five largest accounts receivable of the Company amounted to RMB24,071,753.00 in total, accounting for 100% of the total accounts receivable at the end of the year, and the corresponding balance of provision for bad debts was RMB639,600.01 in total.

At 31 December 2016, the five largest accounts receivable of the Company amounted to RMB106,421,063.00 in total, accounting for 90% of the total accounts receivable at the end of the year, and there was no corresponding balance of provision for bad debts.

2 Other receivables

(1) Other receivables by customer type:

Customer type	2017	2016
Receivables from third party	23,335,187.75	13,219,574.06
Receivables from related party	191,627,732.76	115,727,044.07
Sub-total	214,962,920.51	128,946,618.13
Less: Provision for bad debts	(8,815,242.33)	(6,943,563.64)
Total	206,147,678.18	122,003,054.49

(2) The ageing analysis of other receivables is as follows:

Ageing	2017	2016
Within 1 year (inclusive)	200,397,591.46	111,186,387.38
Over 1 year but within 2 years (inclusive)	3,913,250.70	5,133,002.40
Over 2 years but within 3 years (inclusive)	28,250.00	642,040.00
Over 3 years but within 4 years (inclusive)	638,640.00	6,000,000.00
Over 4 years but within 5 years (inclusive)	4,000,000.00	—
Over 5 years	5,985,188.35	5,985,188.35
Sub-total	214,962,920.51	128,946,618.13
Less: Provision for bad debts	(8,815,242.33)	(6,943,563.64)
Total	206,147,678.18	122,003,054.49

The ageing is counted starting from the date when other receivables are recognised.

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2 Other receivables (Continued)

(3) Other receivables as disclosed by category:

		31 December 2017				
		Book value		Provision for bad debts		Carrying
Category	Note	Amount	Percentage	Amount	Percentage	amount
Performance bond	(a)	7,030,000.00	3%	(2,000,000.00)	23%	5,030,000.00
Accounts receivable from subsidiaries of the Group	(a)	191,627,732.76	89%	–	0%	191,627,732.76
Others	(b)	16,305,187.75	8%	(6,815,242.33)	77%	9,489,945.42
Total		214,962,920.51	100%	(8,815,242.33)	100%	206,147,678.18

		31 December 2016				
		Book value		Provision for bad debts		Carrying
Category	Note	Amount	Percentage	Amount	Percentage	amount
Performance bond	(a)	6,000,000.00	5%	(800,000.00)	12%	5,200,000.00
Accounts receivable from subsidiaries of the Group	(a)	115,727,044.07	89%	–	0%	115,727,044.07
Others	(b)	7,219,574.06	6%	(6,143,563.64)	88%	1,076,010.42
Total		128,946,618.13	100%	(6,943,563.64)	100%	122,003,054.49

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2 Other receivables (Continued)

(3) Other receivables as disclosed by category: (Continued)

(a) Performance bond and receivables from subsidiaries:

Other accounts receivable (By units)	31 December 2017 Book value	Provision for bad debts	Percentage	Reason of provision
Sheyang County Government	4,000,000.00	(2,000,000.00)	50%	Some had long ageing and risk on collection
Fengcheng City Public Resource Trading Supervision and Management Committee	3,000,000.00	–	0%	–
Yongjia County Public Resource Trading Centre	30,000.00	–	0%	–
Receivables from subsidiaries	191,627,732.76	–	0%	–
Total	198,657,732.76	(2,000,000.00)		

Other accounts receivable (By units)	31 December 2016 Book value	Provision for bad debts	Percentage	Reason of provision
Jurong Finance Bureau	2,000,000.00	–	0%	–
Sheyang County Government	4,000,000.00	(800,000.00)	20%	Some had long ageing and risk on collection
Receivables from subsidiaries	115,727,044.07	–	0%	–
Total	121,727,044.07	(800,000.00)		

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2 Other receivables (Continued)

(3) Other receivables as disclosed by category: (Continued)

(b) Other receivables which are collectively assessed at the end of the year for impairment using the ageing analysis method in the group

Ageing	31 December 2017 Book value	Provision for bad debts	Percentage of provision
Within 1 year (inclusive)	**9,148,039.17**	**(457,401.96)**	**5%**
Over 1 year but within 2 years (inclusive)	**533,320.23**	**(53,332.02)**	**10%**
Over 3 years but within 4 years (inclusive)	**638,640.00**	**(319,320.00)**	**50%**
Over 5 years	**5,985,188.35**	**(5,985,188.35)**	**100%**
Total	**16,305,187.75**	**(6,815,242.33)**	

Ageing	31 December 2016 Book value	Provision for bad debts	Percentage of provision
Within 1 year (inclusive)	585,345.71	(29,267.29)	5%
Over 1 year but within 2 years (inclusive)	7,000.00	(700.00)	10%
Over 2 years but within 3 years (inclusive)	642,040.00	(128,408.00)	20%
Over 5 years	5,985,188.35	(5,985,188.35)	100%
Total	7,219,574.06	(6,143,563.64)	

(4) Addition, reversal or written-off of provision for bad and doubtful debts during the year:

Item	2017	2016
Balance at the beginning of the year	**6,943,563.64**	7,056,956.29
Additions/(reversals) during the year	**1,871,678.69**	(113,392.65)
Balance at the end of the year	**8,815,242.33**	6,943,563.64

The Company assessed other receivables for impairment using the ageing analysis method at each of the year end and then reversed or added impairment for the year after comparing with the impairment of the preceding accounting year.

For the year ended 31 December 2017 and 2016, the Company did not write off any significant other receivables.

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2 Other receivables (Continued)

(5) Five largest other receivables by debtor at the end of the year

31 December 2017

Debtor	**Nature of receivables**	**Balance at the end of the year**	**Ageing**	**Percentage of total other receivables**	**Provision for bad and doubtful debts at year-end**
Bobai Company	Subsidiary transactions	**90,296,711.29**	Within 1 year (inclusive)	42%	—
Rushan Company	Subsidiary transactions	**50,000,000.00**	Within 1 year (inclusive)	23%	—
Jurong Company	Subsidiary transactions	**10,321,608.43**	Within 1 year (inclusive)	5%	—
Jixian Company	Subsidiary transactions	**10,250,307.96**	Within 1 year (inclusive)	5%	—
Wuhan Company	Subsidiary transactions	**10,182,138.28**	Within 1 year (inclusive)	5%	—
Total		**171,050,765.96**		80%	—

31 December 2016

Debtor	Nature of receivables	Balance at the end of the year	Ageing	Percentage of total other receivables	Provision for bad and doubtful debts at year-end
Anshun Company	Subsidiary transactions	17,526,341.28	Within 2 years	14%	—
Jurong Company	Subsidiary transactions	16,067,088.37	Within 2 years	12%	—
Pingyang Company	Subsidiary transactions	10,000,000.00	Within 1 year (inclusive)	8%	—
Huizhou Company	Subsidiary transactions	6,521,839.65	Over 1 year but within 2 years (inclusive)	5%	—
Ninghe Company	Subsidiary transactions	51,000,000.00	Within 1 year (inclusive)	40%	—
Total		101,115,269.30		79%	—

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Receivables

Item	31 December 2017 Book balance	Bad debt provision	Book value	Interest rate range
Entrusted loans to subsidiaries	459,000,000.00	–	459,000,000.00	4.35%–6.70%
Performance bond	2,720,000.00	–	2,720,000.00	
Less: Due within one year	(75,203,703.66)	–	(75,203,703.66)	
Total	386,516,296.34	–	386,516,296.34	

Item	31 December 2016 Book balance	Bad debt provision	Book value	Interest rate range
Entrusted loans to subsidiaries	550,300,000.00	—	550,300,000.00	4.35%–5.25%
Performance bond	1,920,000.00	—	1,920,000.00	
Less: Due within one year	(30,000,000.00)	—	(30,000,000.00)	
Total	522,220,000.00	—	522,220,000.00	

4. Long-term equity investments

(1) Long-term equity investments by category

Item	31 December 2017 Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	2,528,207,957.77	(11,149,297.53)	2,517,058,660.24
Investment in an associate	–	–	–
Total	2,528,207,957.77	(11,149,297.53)	2,517,058,660.24

Item	31 December 2016 Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	2,256,207,957.77	(11,149,297.53)	2,245,058,660.24
Investments in an associate	3,500,000.00	—	3,500,000.00
Total	2,259,707,957.77	(11,149,297.53)	2,248,558,660.24

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Long-term equity investments (Continued)

(2) Investments in Subsidiaries

	31 December 2017					
Subsidiary	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	Provision made during the year	Impairment at the end of the year
Haining Company	86,000,000.00	–	–	86,000,000.00	–	–
Taizhou Company	180,000,000.00	–	–	180,000,000.00	–	–
Yongjia Company	100,000,000.00	–	–	100,000,000.00	–	–
Rushan Company	100,880,000.00	–	–	100,880,000.00	–	–
Pingyang Company	100,000,000.00	–	–	100,000,000.00	–	–
Beijing Research Institute	15,000,000.00	–	–	15,000,000.00	–	–
Changzhou Company	220,221,697.72	–	–	220,221,697.72	–	–
Wuhan Company	127,874,320.40	–	–	127,874,320.40	–	–
Qingdao Company	63,091,383.59	–	–	63,091,383.59	–	(4,620,173.95)
Anshun Company	98,000,000.00	–	–	98,000,000.00	–	–
Zhangqiu Company	120,880,000.00	–	–	120,880,000.00	–	–
Jurong Company	98,000,000.00	–	–	98,000,000.00	–	–
Huizhou Company	217,800,000.00	–	–	217,800,000.00	–	–
Pingyao Company	19,800,000.00	–	–	19,800,000.00	–	–
Jixian Company	60,000,000.00	–	–	60,000,000.00	–	–
Lanyang Huanbao	163,613,261.06	–	–	163,613,261.06	–	–
Ninghe Company	99,000,000.00	–	–	99,000,000.00	–	–
Dongyang Fuli	27,047,295.00	–	–	27,047,295.00	–	(6,529,123.58)
Tongzhou Company	119,000,000.00	30,000,000.00	–	149,000,000.00	–	–
Hongan Company	7,000,000.00	6,000,000.00	–	13,000,000.00	–	–
Longhui Company	20,000,000.00	–	–	20,000,000.00	–	–
Shantou Company	7,000,000.00	100,000,000.00	–	107,000,000.00	–	–
Bobai Company	15,000,000.00	60,000,000.00	–	75,000,000.00	–	–
Bengbu Company	90,000,000.00	76,000,000.00	–	166,000,000.00	–	–
Miyun Company	101,000,000.00	–	–	101,000,000.00	–	–
Total	2,256,207,957.77	272,000,000.00	–	2,528,207,957.77	–	(11,149,297.53)

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Long-term equity investments (Continued)

(2) Investments in Subsidiaries (Continued)

	31 December 2016					
Subsidiary	Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	Provision made during the year	Impairment at the end of the year
Haining Company	86,000,000.00	–	–	86,000,000.00	–	–
Taizhou Company	180,000,000.00	–	–	180,000,000.00	–	–
Yongjia Company	100,000,000.00	–	–	100,000,000.00	–	–
Rushan Company	100,880,000.00	–	–	100,880,000.00	–	–
Pingyang Company	100,000,000.00	–	–	100,000,000.00	–	–
Beijing Research Institute	15,000,000.00	–	–	15,000,000.00	–	–
Changzhou Company	220,221,697.72	–	–	220,221,697.72	–	–
Wuhan Company	127,874,320.40	–	–	127,874,320.40	–	–
Qingdao Company	63,091,383.59	–	–	63,091,383.59	–	(4,620,173.95)
Anshun Company	98,000,000.00	–	–	98,000,000.00	–	–
Zhangqiu Company	120,880,000.00	–	–	120,880,000.00	–	–
Jurong Company	98,000,000.00	–	–	98,000,000.00	–	–
Huizhou Company	217,800,000.00	–	–	217,800,000.00	–	–
Pingyao Company	19,800,000.00	–	–	19,800,000.00	–	–
Jixian Company	60,000,000.00	–	–	60,000,000.00	–	–
Lanyang Huanbao	163,613,261.06	–	–	163,613,261.06	–	–
Ninghe Company	99,000,000.00	–	–	99,000,000.00	–	–
Dongyang Fuli	27,047,295.00	–	–	27,047,295.00	–	(6,529,123.58)
Tongzhou Company	99,000,000.00	20,000,000.00	–	119,000,000.00	–	–
Hongan Company	7,000,000.00	–	–	7,000,000.00	–	–
Longhui Company	20,000,000.00	–	–	20,000,000.00	–	–
Shantou Company	7,000,000.00	–	–	7,000,000.00	–	–
Bobai Company	5,000,000.00	10,000,000.00	–	15,000,000.00	–	–
Bengbu Company	55,000,000.00	35,000,000.00	–	90,000,000.00	–	–
Miyun Company	–	101,000,000.00	–	101,000,000.00	–	–
Total	2,090,207,957.77	166,000,000.00	–	2,256,207,957.77	–	(11,149,297.53)

For information about the subsidiaries of the Company, refer to Note VII.

(3) Investments in an associate

For the year ended 31 December 2017 and 2016, please refer to Note VII.2 for the Company's investments in an associate.

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Capital reserves

Item	As at 1 January 2016, 31 December 2016 and 31 December 2017
Capital premium	628,984,641.83
Other capital reserves	47,361,993.67
Total	676,346,635.50

6. Retained Earnings

	2017	2016
Retained earnings at the beginning of the year	176,830,887.23	108,047,559.37
Add: Net profits for the year	228,719,115.30	111,259,253.18
Less: Appropriation for statutory surplus reserve	(22,871,911.53)	(11,125,925.32)
Distributions to shareholders	(62,700,000.00)	(31,350,000.00)
Retained earnings at the end of the year	319,978,091.00	176,830,887.23

For the actual dividend distribution of the Company, please refer to Note V.32.

7. Operating income and operating costs

Item	2017	2016
Operating income from principal activities		
— Income from management service	92,337,951.24	118,460,615.66
— Income from transfer of technology	—	39,000,000.00
— Income from sales of goods	27,333,333.19	—
Total	119,671,284.43	157,460,615.66
Operating cost from principal activities	(32,038,937.85)	(7,131,320.11)

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Investment income

Item	2017	2016
Income from long-term equity investments accounted for using cost method	215,500,000.00	36,000,000.00
Income from entrusted loan interest	30,476,508.81	40,244,490.22
Total	245,976,508.81	76,244,490.22

9. Relevant information on cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities

Item	2017	2016
Net profit	228,719,115.30	111,259,253.18
Add: Provisions/(reversal) for impairment of assets	2,511,278.70	(728,354.76)
Depreciation of fixed assets	353,755.07	268,460.60
Amortisation of intangible assets	28,021.20	27,576.34
Amortisation of long-term deferred expenses	15,054.61	152,239.86
Losses from disposal of fixed assets	—	14,464.08
Financial expenses	57,772,461.89	67,995,557.43
Investment income	(245,976,508.81)	(76,244,490.22)
Decrease/(increase) in inventories	21,846,803.42	(14,196,376.07)
Changes in deferred tax assets	(376,691.81)	109,253.22
Changes in restricted deposit	17,227,000.00	(28,787,400.00)
Decrease/(increase) in operating receivables	166,593,763.20	(106,109,840.64)
(Decrease)/increase in operating payables	(51,035,357.04)	27,674,225.97
Net cash inflow/(outflow) from operating activities	197,678,695.73	(18,565,431.01)

(b) Net changes in cash and cash equivalents

Item	2017	2016
Cash and cash equivalents at the end of the year	112,681,313.36	107,329,347.71
Less: Cash and cash equivalents at the beginning of the year	(107,329,347.71)	(165,712,832.39)
Net increase/(decrease) in cash and cash equivalents	5,351,965.65	(58,383,484.68)

(Expressed in Renminbi unless otherwise indicated)

XV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Relevant information on cash flow statement (Continued)

(2) Composition of cash

Item	2017	2016
Cash		
Including: Cash on hand	18,568.76	16,958.96
Bank deposits available on demand	112,662,744.60	107,312,388.75
Other monetary funds restricted	20,200,000.00	37,427,000.00
Cash and cash equivalents at the end of the year	132,881,313.36	144,756,347.71
Less: Other monetary funds restricted	(20,200,000.00)	(37,427,000.00)
Cash balance available on demand at the end of the year	112,681,313.36	107,329,347.71

XVI. EXTRAORDINARY GAINS AND LOSSES

Item	2017	2016
Disposal of non-current assets	(24,754.17)	(16,501.42)
Profit from income tax refunds	—	7,396,166.22
Government grants recognised through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	4,594,474.76	4,492,419.89
Other non-operating income and expenses besides items above	(292,072.06)	377,123.77
Other items qualified as extraordinary gain and loss	8,677,186.80	—
Sub-total	12,954,835.33	12,249,208.46
Less: Income tax expense	(1,763,810.61)	(432,338.30)
Net extraordinary gains and losses	11,191,024.72	11,816,870.16
Including: extraordinary gains and losses affecting the net profit of the shareholders of the parent company	11,191,024.72	11,816,870.16

(Expressed in Renminbi unless otherwise indicated)

XVII. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 — Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC and relevant accounting standards, the Group's return on net assets and earnings per share are calculated as follows:

Profit for 2017	**Weighted average return on net assets (%)**	**Basic earnings per share**	**Diluted earnings per share**
Net profit attributable to the Company's ordinary equity shareholders	**9.55%**	**0.20**	**0.20**
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	**9.03%**	**0.19**	**0.19**

Profit for 2016	Weighted average return on net assets (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	11.60%	0.22	0.22
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	11.01%	0.21	0.21

XVIII. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the MOF has issued certain amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. The following amendments and new standards may become relevant to the financial statements for future periods of the Group:

- Accounting Standards for Business Enterprises No. 14—Revenue (revised) ("New Revenue Standard")

- Accounting Standards for Business Enterprises No. 22—Financial Instruments: Recognition and Measurement (revised) and Accounting Standards for Business Enterprises No. 37—Financial Instruments: Presentation (revised) ("New Financial Instruments Standards")

The Group plans to adopt the amendments and new standards on 1 January 2018. 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 financial statements of the Group. As the assessment conducted so far has been based on the available information of the Group, the actual impact of the initial application of the new standards may differ. 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 may chance the choice of accounting policies by the Company. Further details of the expected impacts are discussed below:

1. New Financial Instruments Standards

The New Financial Instruments Standards introduce new requirements for the classification and measurement of financial assets, including new requirements for the measurement of impairment of financial assets. On the other hand, the New Financial Instruments Standards retain the requirements for the classification and measurement of financial liabilities.

The New Financial Instruments Standards require that entities shall make retrospective adjustments on the date of first time adoption, and such transitional adjustments shall be included in the "retained earnings or other comprehensive income at the beginning of the period" for the reporting period of the year to which the date of first time adoption belongs.

XVIII. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

1. New Financial Instruments Standards (Continued)

The expected impacts of the new requirements to the financial statements of the Group are as follows:

(1) Classification and measurement

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

- The classification for debt instrument 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 a FVTOCI, then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss in the period in which they occur.

- 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 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 the New Financial Instruments Standards.

Under the New Financial Instruments Standards, an entity, during its transition to the New Financial Instrument Standards, may make an irrevocable election to designate an equity instrument investment not held for trading at FVTOCI without recycling to profit or loss in the future. Such change to the accounting policy will not impact the net assets or the total comprehensive income of the entity, but will increase the fluctuation of profit or loss. Up to the date of issue of these financial statements, the Group does not have any equity security not held for trading, and therefore the new requirement may not have any impact on the Group.

(2) Impairment

The New Financial Instruments Standards replace the "incurred loss" impairment model under the Accounting Standards for Business Enterprises No. 22—Financial Instruments: Recognition and Measurement 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. The Group expects that the application of the expected credit losses model will result in earlier recognition of credit losses.

XVIII. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

2. New Revenue Standard

The New Revenue Standard establishes a comprehensive framework for recognising revenue from contracts with customers. The New Revenue Standard will replace the Accounting Standards for Business Enterprises No. 14—Revenue, relating to revenue from the sale of goods and rendering of services, and the Accounting Standard for Business Enterprises No. 15—Construction Contracts, relating to revenue from construction contracts, issued in 2006. The Group has identified the following aspects may be affected:

Timing of revenue recognition

Currently, the accounting policies for recognition of revenue of the Group are to recognise revenue arising from power supply and waste treatment services upon provision of such services, revenue from rendering of services over a period of time, and revenue from the sale of goods when the risks and rewards of ownership have been transferred to the customers. For details, please see Note III. 20.

Under the New Revenue Standard, revenue is recognised when the customer obtains control of the promised good or service in the contract. The New Revenue Standard identifies any of the following situations as performance obligations being satisfied over time, i.e. the control of the promised goods or services being regarded as 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 the above three situations, under the New Revenue Standard, the entity shall recognise revenue at a point of time, i.e. the time of the transfer of control. 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 might have a material impact on the financial statements.

Based on the accumulated amount of impacts of the initial application of the New Revenue Standard, the Group will make adjustments to the amounts of retained earnings at the beginning of the year and other financial statements items" for the reporting period of the year where the New Revenue Standard is initially applied. No adjustments will be made to the information of comparable periods. In compliance with the requirements under the New Revenue Standard, the Group plans to make adjustments only based on the accumulated amount of impacts of the contracts yet to be completed as at the date of first time adoption.

SUPPLEMENTARY INFORMATION: DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

The Group, as an H-share listed company, prepared its overseas financial statements in accordance with the International Financial Reporting Standard (IFRS) before 30 September 2017. The differences between the 2016 consolidated financial statements prepared under the IFRS and the Accounting Standards for Business Enterprises (ASBE) on the net profit attributable to shareholders of the company and equity attributable to shareholders of the company are as follows:

	Net profit attributable to shareholders of the company		**Equity attributable to shareholders of the company**	
	2017 (Note 1)	2016	**2017 (Note 1)**	2016
According to IFRS	**Not applicable**	356,462,311.16	**Not applicable**	2,741,747,416.71
Adjustments:				
1. Impact of BOT/BT differences (Note 2)	**Not applicable**	(174,365,958.33)	**Not applicable**	(867,936,210.59)
2. Others				
Among which:				
Provision for bad debts of accounts receivable	**Not applicable**	13,420.79	**Not applicable**	(5,812,592.47)
Adjustments of amortization period for intangible assets — construction license	**Not applicable**	—	**Not applicable**	—
3. Impact of the above items on taxation	**Not applicable**	48,885,917.29	**Not applicable**	225,648,586.85
According to ASBE	**206,477,431.15**	230,995,690.91	**2,231,640,176.45**	2,093,647,200.50

Note 1: Since 30 September 2017, the Group had only prepared a separate financial statement in accordance with ASBE at home and abroad. Therefore, there was no difference in the financial data for 2017 of the Group at home and abroad.

Note 2: In the financial statements prepared under ASBE, no BOT/BT construction revenue was recognised during the construction phase, intangible assets and financial assets were recognised based on the costs incurred and contract arrangement of each BOT/BT; in the financial statements prepared under IFRS, although no cash was received during the construction phase of BOT/BT projects, the Group recognised revenue from construction services when project construction commenced pursuant to the requirements of the prevailing accounting standards and the market practice in Hong Kong. The construction services provided by the Group were recognised at their fair value, with the corresponding amount recorded as intangible assets and financial assets.