Capital Environment Holdings Limited

首創環境控股有限公司

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

2018 年報
ANNUAL REPORT

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Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Cheng Jialin
Ms. Hao Chunmei *(appointed on 20 April 2018)*

Independent Non-executive Directors

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

COMMITTEES

Audit Committee

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

Nomination Committee

Ms. Zhang Meng *(Chairlady, appointed on 20 April 2018)*
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Cheng Kai Tai, Allen
Ms. Zhang Meng *(appointed on 20 April 2018)*

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Ms. Zhang Meng *(appointed on 20 April 2018)*
Ms. Wong Bing Ni

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

Conyers Dill and Pearman
Jun He Law Offices

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Branch Registrar in Hong Kong

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

CORPORATE WEBSITE

www.cehl.com.hk

STOCK CODE

03989

CHAIRLADY'S STATEMENT

CHAIRLADY'S STATEMENT

The trade tension between China and the US in 2018 has cast a shadow over the growth of global economy. With an aim to seek progress amidst stability, China's economy grew stably, carried out reforms, adjusted its structure, enhanced social welfare, prevented risks and progressed steadily.

Ms. Zhang Meng
Chairlady

It should be noted that environmental protection and green economy has become a powerful engine of the new economy. The year 2018 saw the rapid growth of environmental protection industries. With the ideas of "Beautiful China" and "Mountains and rivers equal treasures", the central government set a clear target and announced multiple beneficial policies to support the all-round development of environmental protection and green economy. In the future, Capital Environment Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") shall seize the strategic development opportunity in the environmental protection and green industry while bearing in mind the principles of patriotism and "social benefits come first, economic benefits are essential" and, led by its talents and brands, continue to consolidate and improve its leading position in the market to be the architect and protector of beautiful China.

As a leading enterprise in the green environmental protection industry, the Company insists on the integration of enterprise dream and sustainable development, sizes up the situations on the path of sustainable development, tides over the difficulties and realizes a win-win situation among government, residents and enterprises to deliver great results for the market and investors.

During the year under review, the Company expanded rapidly in the environmental protection section and its business area and geographical coverage. The Group successfully obtained 11 waste treatment projects in China, which required a total investment of RMB2,120 million, and had the newly-designed annul solid waste treatment capacity of 2.24 million tons. As at the end of 2018, the projects of the Group covered 16 provinces and municipalities in China as well as the market of New Zealand. 63 environmental protection projects of various types in China were launched domestically with an aggregate amount of investments of over RMB15.8 billion, which provides ample project reserves for the Group's future sustainable development and consolidates its leading position in the environmental protection industry.

Adhering to the development concept of "adjustments, reforms, development, innovations and management" and combining the comprehensive strategic deployment and clear market positioning of Beijing Capital Group Company Limited (北京首都創業集團有限公司) ("Beijing Capital Group"), a substantial shareholder of the Company, the Group improved the overall level of institutionalized governance, perfected the management mechanism of human resources, effectively controlled the financial expenses and achieved remarkable performance in terms of annual operating results.

During the year under review, the income from the Group's principal operating businesses recorded a new high of over RMB4,650 million, representing an increase of 33% as compared to 2017; the Group's total assets amounted to over RMB14.89 billion, representing an increase of approximately 39% as compared to 2017, while net assets amounted to over RMB4,800 million, representing an increase of approximately 8% as compared to 2017.

After a year of hard work and dedication, the Group continues to bear the sustainable responsibility and be awarded as the Top Ten Influential Enterprises in the solid waste industry by virtue of outstanding market influence and clear strategic positioning. This shows the Group's unshakeable faith in sustainable development and its unremitting corporate and social undertaking.

Looking ahead, the Group is full of confidence. We will treat the development strategy "Ecology +" as a guideline and rely on the exceptional assets in our solid waste business to build a light asset business mode and find a new path on which nature and human can achieve harmony, a well-balanced coordination can be maintained and an ecological civilization can be constructed, so that a good ecological environment can become a growth point for people's lives and a pivotal point of the sustainable healthy development of the economy and society, contributing to the making of "Beautiful China".

I would like to give my most sincere greetings to the management and all colleagues of the Group for their hard work and faithful dedication in the past year, and also express my heartfelt thanks to all shareholders of the Company (the "Shareholders"), members of the board of directors of the Company (the "Board"), the Mainland and Hong Kong people and various departments for their full support. The Group will continue its efforts to improve the environment, innovate and expand its business and make progress together towards the goal of becoming the most trustworthy ecological environmental enterprise, thus achieving an environmental industry landscape with a beautiful sky and unpolluted water and earth.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Cao Guoxian
Chief Executive Officer

BUSINESS REVIEW AND PROSPECTS

The year 2018 marked the tenth anniversary of the outbreak of the full-blown global financial crisis. It is also an important turning point in the development, reformation and adjustment of the world economy. Currently, the world economy is experiencing a slowdown and clearly divided; the risk of a downward trend continues to grow, and the norms are being redefined and regulations are being adjusted very swiftly. All these are putting developing countries under the dual pressure of "Capital outflow + Economic growth slowdown". During the process of shifting from rapid growth to high quality growth and structural adjustment, China actively transformed its economic structures while continuing to maintain stable economic growth to response to the situation. The development of green economy and environmental protection industry has become the new momentum of economic growth in the PRC, and that are also an important economy pillar for China's future economic reforms and sustainable development.

In 2018, the central government fully and thoroughly implemented a series of plans successively introduced by relevant departments, including the "13th Five-year Plan on Ecological Environmental Protection", the "13th Five-year Plan on Renewable Energy Development", the "13th Five-year Plan on the Construction of Facilities for the Innocuous Treatment of Municipal Solid Waste", the "13th Five-year Plan on the Development of National Strategic Emerging Industries" and the "National Framework of the 13th Five-year Scientific and Technological Development Plan for Environmental Protection", which have brought unprecedented development opportunities for the green economy and environmental protection industries. Under the improving trend of the policy industry, the Company, as a leading provider of integrated waste treatment solution and environmental infrastructure construction services in the PRC, will closely follow the national policies, anticipate the movement of the market, maintain our strategic positioning, enhance upper and lower linkage, optimize the pairing and synchronized development of light and heavy and continue to consolidate and improve our leading position in the market to be the principal builder and protector of beautiful China.

During the year under review, the Company adopted a proactive approach in undertaking its business, taking on the profound intrinsic value of the Beijing Capital Group to assume the role as a "key contributor to and defender of a beautiful China" with real actions. The Company was granted the title of "Top Ten Most Influential Enterprises in the Solid Waste Treatment Industry in China" for the seventh time, and won a basket of awards including "Outstanding Environment-friendly Branded Enterprises", "Excellence Award for Investor Management", "Most Socially Responsible Listed Group Award" and the "Carbon Care ESG Label". Also, our power generation by incineration project in Nanchang has won "the First Class National Quality Works Projects Award of 2018–2019", "China's Quality Electrical Works and Operation of Power Station Award". This is the highest accolade for high-quality works in the electrical construction industry. Our food waste project in Ningbo has won the "3-Star Design of Eco-friendly Building Identification Logo". Many of our projects, including the power generation by incineration project in Gao'an and Ruijin as well as the hazardous waste project in Yangzhou, have received honours or incentive funding such as the title of standardized provincial construction site, supportive funds out of the budget of the central government and financial subsidies granted by local governments. The accolades mentioned above bear testimony to the widespread public recognition gained by the Group.

In respect of results of operation, in 2018, total assets of the Group reached RMB14,886 million, representing a year-on-year increase of 39.35%; our turnover was RMB4,648 million, representing a year-on-year increase of 33%; profit for the year was RMB311 million, representing a year-on-year increase of 13.49%; our net profit attributable to parent company was RMB183 million, representing a year-on-year increase of 23.18%.

In terms of project reserves, the Group secured a total of 63 projects (including 20 waste-to-energy projects, 7 waste landfill projects, 7 anaerobic digestion technology treatment projects, 17 waste collection, storage and transportation projects, 6 hazardous waste treatment projects, 2 dismantling electronic appliances waste projects and 4 biomass resources electricity generation projects) in the PRC with a total investment of approximately RMB15,800 million, of which the amount of RMB5,200 million has been injected as at 31 December 2018. The facilities are designed with an aggregate annual household waste treatment capacity of approximately 13.65 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units. The said projects have gradually entered into the construction and operation period. As of 31 December 2018, there were 44 domestic projects which have entered the construction and operation period, of which the household waste incineration power plant project in Quanling, Nanchang, a representative project demonstrating a high level of competence of the Group, has been approved as an environmental demonstration base by the National Development and Reform Commission.

In terms of market expansion, the Group successfully secured 11 waste treatment projects in the mainland with a total investment of approximately RMB2,120 million and the new design can handle 2.24 million tons of domestic waste annually. New projects include: the Non-Hazardous Domestic Waste Landfill Project in Laohu Yan, Yingde City, Guangdong Province, the Domestic Waste Sanitary Landfill Project in Shangrao City, Jiangxi Province, the Urban and Rural Domestic Waste Treatment Facility Integration Project in Guangchang County, Fuzhou City, Jiangxi Province, the Power Generation by Waste Incineration Project in Yongji City, Shanxi Province, the PPP Project for Irregular Dumping Site Treatment in Huainan, Anhui Province, the Power Generation by Waste Incineration Project in the three counties of Xichuan, Xixia and Neixiang, Nanyang City, Henan Province, the Mineral Oil Waste Consolidated Utilization Project in Mianyang City, Sichuan Province, the Power Generation by Domestic Waste Incineration and Collection and Transportation Integration Project in Yutian County, Tangshan City, Hebei Province, the Kitchen Waste Treatment Plant Project in Hongmiaoling, Fuzhou City and the Rural Waste Collection and Transportation Project in Gaoan City. The Group has established a core business of the three-phase integrated (i.e. the initial-phase, middle-phase and end-phase) treatment of domestic waste (including the four stages of cleaning, transporting, landfilling and incineration for power generation), and simultaneously developed the anaerobic treatment business and hazardous waste treatment business as our branch business. With the electronic waste dismantling business, irregular landfill site treatment business and construction waste recycling business in synchronous development as our supplementary businesses, the Group created a whole industry chain and continue to consolidate and enhance its leading position in the industry.

In terms of construction project, the Group continued to accelerate the commencement of contracted projects and strived to maintain our leading quality, controllable progress, safety-orientation, and reduced costs. We have secured 21 projects either under construction or at the planning stage, keeping our highest record since 2017. Among them, 3 projects were completed and put into operation, 3 projects were completed, 4 projects were steadily under construction, 5 projects were successfully commenced, and 6 projects were at the planning stage. The Group gradually improved our standardized management system for projects under construction, established a regionalized management system for engineering projects, firmly upheld safety awareness, and placed safety first at all time so as to ensure that there were no construction safety management accident throughout the year.

In terms of operations management, the Group's operation and trial operation projects reached 32, nearly doubled the number in 2017. Among them, there are 4 incineration projects, 6 landfill projects, 15 collection transportation and environmental management projects, 2 dismantling projects, 4 anaerobic projects, and 1 hazardous waste transportation project. Key tasks were carried out in an orderly manner according to our scientific management plan. The annual domestic waste disposal capacity was 3.1275 million tons, the dismantling amounted to 2,140,800 units, and 7,666,800 square meters of cleaning work was completed. The total amount of on-grid electricity provided was 238,479,156 kilowatt per hours.

In terms of technology management and innovation, the independent operation efficiency of the Group's technology segment started to emerge. Beijing Capital Environment Technology Co., Ltd. (北京首創環境科技有限公司) was awarded the honorary title of "China's New Strategic Environmental Protection Industry Leader in 2018" (2018年度中國戰略性新興環保產業領軍企業). In 2018, the Group's technology research and innovation work in anaerobic treatment, hazardous waste disposal, unregulated landfill remedy treatment, and smart power plants were successfully carried out. 23 patents were filed and 3 patents were received. The Group has successfully carried out technical exchanges and collaboration with the Nordic Gas Group, Strabag Group, Tonghai Technology (同海科技), Guangdong Industry Technical College (廣輕院), Chinese Academy of Sciences (中國科學院), Hong Kong City University and other outstanding and technologically advanced enterprises and institutions at home and abroad to enable the Group to grow in technological innovation, achieve technological improvement, and lay the technological foundation for the realization of the Group's "structural shift between light assets and heavy assets".

In terms of market financing, the Group adopted a two-pronged approach that seek to raise funds from the capital market as well as the financing market, so as to guarantee that the Group's needs for operating funds will be met. Through the capital market, the Group successfully issued US$300 million 3-year senior unsecured green bonds. While passing on the idea of green development to overseas investors, we successfully seized an opening in the relatively stable market and attracted a large number of overseas investors to subscribe, which reflected the high recognition of our brand among oversea investors. In the financing market, the Group continued to expand its financing channels and conducted a wide range of cooperation with a number of banks such as the Industrial Bank, Bank of Beijing and Bank of Ningbo, and acquired bank credit of RMB1.4 billion throughout the year. In addition, the Group actively coordinated and promoted a strategic cooperation with Ping An Asset Management Co., Ltd., and completed the Ping An Asset Management Limited Group's RMB1 billion bond investment plan.

In terms of overseas market, the Group held 51% shares of BCG NZ Investment Holding Limited ("BCG NZ Group"). BCG NZ Group has been operating continuously for more than 100 years, and is the largest waste management service supplier in New Zealand with over 30% market share. It has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 200,000 customers in New Zealand.

With the development of our business sectors, in order to meet the demands of local governments and residents, respond to intense market competition and strengthen the efficiency and the synergistic effect, the Group successively established the Central China Investment Centre (中原投資中心), the Eastern China Investment Centre (華東投資中心), and Jingjinji Region Investment Centre (京津冀投資中心) and a hazardous waste industry department to promote project investment in various regions, focus on key links of the industry chain, improve business portfolio, accelerate core business development, and reinforce the existing advantageous position of our business segments. Guided by the "Eco +" development strategy, we will rely on the first-rate assets of our solid waste business to create a light asset business model and explore a new path to construct an ecological culture that is in harmony with nature and synergistic, so as to provide a good ecological environment as starting point for the people to have a better life, and as a pillar for sustainable and healthy economic and social development, while contributing to the creation of a "beautiful China".

Looking ahead, given there are huge demand for green environmental protection industry during the economic and social development in the PRC and there are also stronger support policies from the PRC government to the industry, with the continued comprehensive support from the Shareholder (i.e. Beijing Capital Group), the Group can realize the full potential of all the opportunities for future development. The management believes that the Group will utilize its existing market and project advantages to expand its new business areas in terms of depth, length and width. (1) Depth: Consolidate domestic market share, expedite the innovation of technology, lead the market with technological advantages, ensure that the quality of the business improves. (2) Length: become an omnidirectional solid waste's industrial chain, focus on providing resident users with one-stop integrated waste treatment solutions. (3) Width: with the help of beneficial domestic policies including the "Belt and Road Initiative" and the "Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area", cautiously look for high-quality growth projects which have a similar investment ideology with the Group in specific economic districts.

The Group is on target for increasing its capability in solid waste treatment by at least 7,000 tons per day in the coming year. As of 31 December 2018, the Group is proposing and negotiating with potential cooperation partners in relation to the investments in several waste treatment projects by way of tender or acquisition. The Group's domestic projects have continuously increased and successively entered into the construction and operation period, which has contributed to the rapid growth of the Group's results. The development of businesses in New Zealand will enable the Group to achieve a steady growth. Therefore, the management is confident of achieving sustained growth in the medium-to-long term.

In order to meet the financial needs of the Group's future business development, the Group will conduct adequate research on the change trends in the global financing markets and capital markets, as well as make comprehensive assessment on the strengths and weaknesses of various financing instruments, so as to utilize several sources of funding to raise low-cost capital to finance the future investments by taking account of its short-term, medium-term and long-term funding needs with an aim to increase the market capital of the Group and create value for our Shareholders.

FINANCIAL REVIEW

Overview

In prior years, the functional currency of the Company was Renminbi ("RMB"). Starting from 1 July 2018, the functional currency of the Company was changed from RMB to the United States dollar ("US$"), because, in the opinion of the directors of the Company (the "Directors"), the Company's underlying transactions, events and conditions have changed. The Directors consider that future business transactions, in terms of investing and financing activities, of the Company will be more internationalised.

The change in functional currency of the Company was applied prospectively from the date of change.

During the year under review, the Group's revenue from its waste treatment and waste-to- energy business reached RMB4,648.196 million, representing an increase of approximately 33% as compared to RMB3,495.166 million in 2017. Profit attributable to owners of the Group in 2018 was RMB182.733 million, representing an increase of approximately 23% as compared to RMB148.342 million in 2017. The increase of profit was mainly due to the fact that while the Group has pressed ahead with the promotion of budget management and improved the overall efficiency, the progress of works projects was also accelerated, which boosted the growth in the revenue from construction services. In addition, the actual processing volume of projects that have been put into operation exceeded expectations, resulting in an increase in the operating income.

The finance costs of the Group saw an increase of approximately 58% to approximately RMB310.192 million as compared to that of 2017. The increase was mainly attributable to the Company's issuance of three-year green bond amounting to US$300 million during the year under review. For details, please refer to Note 15 of the financial statements.

Financial Position

As at 31 December 2018, the Group had total assets amounting to approximately RMB14,886.033 million and net assets attributable to the owners of the Company were approximately RMB3,362.362 million. As at 31 December 2018, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 68%, an increase of 10 percentage points from 58% at the end of 2017. The increase was mainly due to the Group's issuance of green bond amounting to US$300 million during the year under review to meet the increased funding requirements of new projects. The current ratio (which is calculated on the basis of current assets over current liabilities) increased from approximately 0.56 as at 31 December 2017 to approximately 1.59 as at 31 December 2018. The increase was mainly attributable to the inflow of proceeds from bond issuance and the fact that the loan of NZ$570 million from our Shareholder, BCG Chinastar International Investment Limited (the "Loan") have been renewed until 31 May 2021, therefore, the Loan has been reclassified from current liabilities as at the end of 2017 to non-current liabilities as at 31 December 2018.

Financial Resources

The Group finances its operations primarily with internally generated cash flow, debt financing and loan facilities from banks. As at 31 December 2018, the Group had cash and bank balances and pledged bank deposits of approximately RMB2,411.531 million, representing an increase of approximately RMB1,502.241 million as compared to approximately RMB909.29 million at the end of 2017. The increase was mainly due to the Group's debt financing and the inflow of funds with additional bank loans during the year under review. Currently, most of the Group's cash is denominated in US$, HK$, RMB and NZ$.

Borrowings

As at 31 December 2018, the Group had outstanding borrowings of approximately RMB5,834.735 million, representing an increase of approximately RMB1,136.034 million as compared to approximately RMB4,698.701 million at the end of 2017. The borrowings comprised secured loans of approximately RMB2,180.351 million and unsecured loans of approximately RMB3,654.384 million. The borrowings are denominated in HK$, RMB and NZ$. Approximately 67.3% and 32.7% of the borrowings are at fixed rate and variable rate, respectively.

Foreign Exchange Exposure

The majority of the Group's sales, purchase and operating expenses were denominated in US$, HK$, RMB and NZ$. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Charges on Assets

As of 31 December 2018, the Group's guarantee for certain bank financing included certain proceeds from the Group's service concession arrangement and the prepaid lease payment and building of RMB91,050,000.

Commitment Arrangements

As at 31 December 2018, the Group had commitment of approximately RMB1,512.863 million and RMB283.324 million in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 31 December 2018, the Group provided guarantees of approximately RMB270.421 million to the government institutions of New Zealand in respect of the continuous operation or the fulfillment of operation standards of the landfill sites.

Employee Information

As at 31 December 2018, the Group had about 3,868 employees in total, stationed mainly in Mainland China, Hong Kong and New Zealand. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Zhang Meng, aged 43, was appointed as an executive Director in December 2016 and concurrently served as the Chairlady with effect from April 2018. Ms. Zhang obtained a Master of Science in Environmental Resource Assessment from the Newcastle University of the United Kingdom and a bachelor degree in Environmental Monitoring of the Department of Environmental Engineering of the Beijing University of Technology. Ms. Zhang is currently the director of Beijing Capital Co., Ltd. and the general manager of department of environmental industry of Beijing Capital Group Company Limited and the chairman of Beijing Capital Air Environmental Science & Technology Co., Ltd.. From September 2013 to June 2016, she worked in Beijing Capital Group Company Limited as the deputy general manager of infrastructure department. Prior to this, Ms. Zhang served as the deputy director of development department of the Management Committee of Olympic Green in Beijing, the deputy secretary and Secretary General of the Administration Committee of Common Area in Olympic Green of the Organizing Committee of the 29th Olympic Games, the executive officer of the Operation Center in Olympic Green and leader of Concierge and project manager of the department of environmental engineering of the Engineering and Environmental Bureau of the Organizing Committee of the 29th Olympic Games.

Mr. Cao Guoxian, aged 55, is a postgraduate, he was appointed as an executive Director and chief executive officer of the Company in July 2011. Mr. Cao served in the foreign language department of Henan Normal University and Bureau of International Cooperation under the Chinese Academy of Sciences. Mr. Cao worked as manager of oversea business department of Beijing Jingfang Economic Development Corporation, assistant to the chairmen of Beijing Capital Land Ltd., deputy officer of the office of Beijing Capital Group Co., Ltd. and deputy general manager of Beijing Capital Co., Ltd..

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

Mr. Cheng Jialin, aged 37, was appointed as an executive Director in July 2017. Mr. Cheng obtained a bachelor's degree in law from Faculty of Sociology, China University of Political Science and Law and a master's degree in public administration from China University of Political Science and Law. Mr. Cheng served as an assistant to the director of the Department of Party-masses Affairs (黨群工作部) (including Party Committee Office (黨委辦公室) and Party Committee Organization Department (黨委組織部)) of Beijing Capital Group Company Limited. Prior to this, Mr. Cheng served as an assistant to the secretary of the Branch of the Communist Party of China in Chaichangtun Village, Yongledian Town, Tongzhou District, Beijing (北京市通州區永樂店鎮柴廠屯村), senior staff member and principal staff member of the cadres deployment office of Beijing Municipal Party Committee Organization Department (北京市委組織部幹部調配處) (Civil Service Management Office (公務員管理處)), and an assistant to the general manager of human resources department of Beijing Capital Group Company Limited.

Ms. Hao Chunmei, aged 48, is a Senior Accountant, Certified Public Accountant and Certified Public Valuer, was appointed as an executive Director in April 2018. Ms. Hao obtained a master's degree in accounting from the Central University of Finance and Economics and a bachelor's degree in mechanical manufacturing from Beihang University. Ms. Hao is currently the financial controller of Beijing Capital Co., Ltd. (stock code on Shanghai Stock Exchange: 600008), and the general manager of Beijing Capital (Hong Kong) Limited. Ms. Hao served as the officer of Financial Department in China Datang Technologies & Engineering Co., Ltd., and successively served as a department head of planning and finance department, the general manager of Accounting Information Department, the deputy general manager and general manager of the planning and finance department of Beijing Capital Co., Ltd. Ms. Hao has extensive experience in finance, corporate management, acquisition and merger, and corporate financing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 71, was appointed as an independent non-executive Director in June 2006. He had been actively serving on the consultation and formulation of government policies, including those relating to town planning, urban renewal, public housing and environment matters for years. He has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-urban councilor. He obtained a Master of Science Degree in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. Since 1987, Mr. Pao has been an independent non-executive director of companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and has extensive experience in the field of corporate governance. Currently, he is an independent non-executive director of a number of companies listed on the Stock Exchange, including Oriental Press Group Limited, Sing Lee Software (Group) Limited, Zhuzhou CRRC Times Electric Co. Ltd, Soundwill Holdings Limited and Maoye International Holdings Limited.

Mr. Cheng Kai Tai, Allen, aged 55, was appointed as an independent non-executive Director in January 2010. He is a qualified accountant, a fellow member of Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants of England and Wales. He has practiced as a Certified Public Accountant in Hong Kong for over 20 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a Master Degree of accountancy from Jinan University in China and is a professional advisor to several international companies of investment management, textile, retailing, metal trading and manufacturing in China and Japan.

Dr. Chan Yee Wah, Eva, age 53, was appointed as an independent non-executive Director in July 2012. She has more than 25 years of financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is the founding chairlady of Hong Kong Investor Relations Association; Dr. Chan is also a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Chartered Secretaries. Dr. Chan graduated from City University of Hong Kong with a Bachelor of Arts in Accounting. She then earned her MBA degree from the University of Nottingham. She also obtained a DBA degree from the Polytechnic University of Hong Kong. She is currently the Head of Investor Relations of C C Land Holdings Limited.

SENIOR MANAGEMENT

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

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

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

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

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

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

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

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

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

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

Mr. Yin Hang, was appointed as the assistant president of the Company on 1 March 2016, in charge of the investment center in the Beijing, Tianjin, and Hebei Region and responsible for business management in South China and assisting the chief executive officer of the Company in taking charge of the audit department. Mr. Yin, holding a bachelor's degree from Beijing Institute of Technology, acted as the general manager assistant of the enterprise management department of Beijing Capital Group Company Limited. He has over ten years of working experience in the environmental protection field and is familiar with the operation mode of franchise. He has led and participated in investment and acquisition of many water and solid waste projects. He is familiar with corporate internal control and risk management systems and has years of experience in corporate internal control management.

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

CORPORATE GOVERNANCE REPORT

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

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company (the "Senior Management"). After a specific enquiry conducted by the Company, all the Directors confirmed that they have fully complied with the required standards set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

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

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

As at 31 December 2018, the Board comprises four executive Directors and three independent non-executive Directors:

Executive Directors

Ms. Zhang Meng *(Chairlady, redesignated as Chairlady on 20 April 2018)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Cheng Jialin
Ms. Hao Chunmei *(appointed on 20 April 2018)*

Independent Non-executive Directors

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

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

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

To comply with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors whom the Company considers having the appropriate and sufficient industry or finance experience and qualifications to carry out their duties. Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the three independent non-executive Directors. They were free from any business relationship or other circumstances that could materially interfere with the exercise of their independent or objective judgments. The Company is of the view that all the independent non-executive Directors are independent. Also, the three independent non-executive Directors, representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its executive management. Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen, independent non-executive Directors of the Company, have served as an independent non-executive Director for the Company more than 9 years, the succession of whom will be proposed by way of individual resolution for the Shareholders to cast vote in the annual general meeting of the Company in due course.

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

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

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

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

	Meeting attendance/held	
	Board meetings	**General meetings**
Executive Directors		
Ms. Zhang Meng *(appointed as Chairlady on 20 April 2018)*	9/9	1/1
Mr. Wu Lishun *(resigned on 20 April 2018)**	3/3	0/0
Mr. Cao Guoxian	9/9	1/1
Mr. Liu Yongzheng *(resigned on 20 April 2018)**	2/3	0/0
Mr. Cheng Jialin	9/9	1/1
Ms. Hao Chunmei *(appointed on 20 April 2018)***	5/6	1/1
Independent non-executive Directors		
Mr. Pao Ping Wing	9/9	1/1
Mr. Cheng Kai Tai, Allen	9/9	1/1
Dr. Chan Yee Wah, Eva	9/9	1/1

* Three meetings of the Board and none general meetings were held during the period of their appointment.

** Six meetings of the Board and one general meeting were held during the period of her appointment.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 31 December 2018, all Directors had participated in appropriate continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. The trainings and professional development attended by each existing Director are as follows:

	Type of training
Executive Directors	
Ms. Zhang Meng	A,B
Mr. Cao Guoxian	A,B
Mr. Cheng Jialin	A,B
Ms. Hao Chunmei *(appointed on 20 April 2018)*	A,B
Independent Non-executive Directors	
Mr. Pao Ping Wing	A,B
Mr. Cheng Kai Tai, Allen	A,B
Dr. Chan Yee Wah, Eva	A,B

Notes:

A: attending seminar/workshops/forums/training courses

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

CHAIRLADY AND CHIEF EXECUTIVE

The Chairlady, Ms. Zhang Meng, is responsible for the formulation of overall corporate direction and business development strategy of the Group. She is also responsible for ensuring that good corporate governance practices and procedures are established, implemented and enforced.

The chief executive officer of the Company, Mr. Cao Guoxian, is responsible for the day-to-day management of the Group and the implementation of the approved strategies.

NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

Corporate Governance Functions

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

Nomination Committee

The Company established a nomination committee of the Company (the "Nomination Committee") on 15 June 2006 with written terms of reference. During the year under review, the Nomination Committee comprises four members, the majority of whom are independent non-executive Directors. The chairlady of the Nomination Committee is Ms. Zhang Meng, an executive Director and the Chairlady (appointed on 20 April 2018) and other members are the three independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva. The principal roles and functions of the Nomination Committee include:

— To review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

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

— To assess the followings when making recommendations to the Board for election of an individual as an independent non-executive Director: (i) the independence of the independent non-executive Director; (ii) if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the individual would still be able to devote sufficient time to discharge director's duties; (iii) the perspectives, skills and experience that the individual can bring to the Board; and (iv) how the individual contributes to the diversity of the Board;

— To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairperson of the Board and the chief executive officer of the Company; and

— To review the Board's policy and recommend to the Board on any revisions to it, as appropriate, to ensure its effectiveness.

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

During the year under review, the Nomination Committee had held two meetings, for (i) the re-nomination of Mr. Cao Guoxian, Ms. Zhang Meng, Mr. Cheng Jialin and Mr. Cheng Kai Tai, Allen who were retiring at the annual general meeting held on 28 June 2018 as Directors and they were willing for re-election in the same annual general meeting; and (ii) Ms. Zhang Meng, upon nomination, has been re-designated as an executive Director and the Chairlady, she also serves as the authorised representative, member and chairlady of Nomination Committee and member of remuneration committee of the Company, and the nomination of Ms. Hao Chunmei as an executive Director.

The individual attendance records of each member of the Nomination Committee is set out below:

	Meeting attendance/held
Ms. Zhang Meng *(Chairlady of the Nomination Committee) (appointed on the 20 April 2018)**	0/0
Mr. Wu Lishun *(Former chairman of the Nomination Committee)*	2/2
Mr. Pao Ping Wing	2/2
Mr. Cheng Kai Tai, Allen	2/2
Dr. Chan Yee Wah, Eva	2/2

* No meeting of the Nomination Committee was held during the period of her appointment.

Remuneration Committee

The Company established a remuneration committee of the Company (the "Remuneration Committee") on 15 June 2006 with written terms of references. During the year under review, the Remuneration Committee comprises three members, a majority of whom are independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Pao Ping Wing, an independent non-executive Director and other members are Mr. Cheng Kai Tai, Allen, an independent non-executive Director and Ms. Zhang Meng, an executive Director and the Chairlady (appointed on 20 April 2018). The principal roles and functions of the Remuneration Committee include:

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

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

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

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

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

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

During the year under review, the Remuneration Committee had held three meetings to consider and review remuneration packages for all or individual Directors and all senior management.

The individual attendance records of each member of the Remuneration Committee is set out below:

	Meeting attendance/held
Mr. Pao Ping Wing *(Chairman of the Remuneration Committee)*	3/3
Mr. Cheng Kai Tai, Allen	3/3
Ms. Zhang Meng *(appointed on 20 April 2018)***	1/1
Mr. Wu Lishun *(resigned on 20 April 2018)**	2/2

* Two meetings of the Remuneration Committee were held during the period of his appointment.

** One meeting of the Remuneration Committee was held during the period of her appointment.

As incentive to attract, retain and motivate employees and senior management to strive for future developments and expansion of the Group, an annual appraisal had been conducted by the Company and employees are rewarded a performance bonus based on the results of such annual appraisal.

Audit Committee

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

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

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

— To review the financial information of the Group;

— To oversee the Group's financial reporting system, risk management and internal control systems;

— Maintain an appropriate arrangement allowing employees of the Group to draw attention to improprieties in financial reporting, internal monitoring or otherwise; and

— Act as the key representative body for overseeing the Group's relations with the external auditor.

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

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

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

— To review the annual report and annual results announcement for the year ended 31 December 2017;

— To review the interim report and interim results announcement for the six months ended 30 June 2018;

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

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

— To discuss with management on the effectiveness of the risk management and internal control systems throughout the Group, including financial, operational and compliance controls; and

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the auditors' remuneration paid or payable in respect of the audit services and non-audit services provided by the auditors to the Group were as follows:

	RMB'000
Audit service	4,280
Non-audit service	
– Tax advisory	476
– Review of interim financial statements	825
– Other services	1,345
	6,926

RISK MANAGEMENT AND INTERNAL CONTROLS

Goals and objectives

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems include a defined management structure with limits of authority, and are designed for the Company to identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the achievement of the Company's business objectives.

Main features of the risk management and internal control systems

The Company's risk governance structure clarifies the function of unified leadership to guarantee the overall work efficiency and the performance of their respective duties among departments and mutual cooperation, perfects the internal control to improve its power of execution and builds the review mechanism of internal control to facilitate the effective operation of the system. The Company's risk governance structure and the main duties of each level of the structure are summarized as follows:

Board of Directors

— to determine the nature and extent of the risks the Company is willing to take in achieving the strategic objectives;

— to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems;

— to oversee management in the design, implementation and monitoring of the risk management systems; and

— to ensure that the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

Management

— to be responsible for the exhaustive risk identification and management, including the collection of risk information, the identification and evaluation of risks;

— to develop the main management guides and operations of daily business process of the Company, including the management methods of internal control, operating control brochure, operating control evaluation brochure, management system, routine performance and information disclosure; and

— to be responsible for carrying out the internal control process and self-check.

Internal Audit Department and Corporate Management Department

The internal audit department performs the Company's internal audit function, while the corporate management department is responsible for the Company's risk management and internal control management function includes:

— to be responsible for leading the construction of internal control;

— to lead the risk assessment and build up the risk register;

— to formulate the risk-oriented internal auditing plan and perform independent internal control supervision and assessment; and

— to be responsible for reporting to the audit committee the results of internal control supervision and assessment.

Process Used to Identify, Evaluate and Manage Significant Risks

The Company's process used to identify, evaluate and manage significant risks is summarized as follows:

Internal Environment

— in accordance with the internal self-development needs of the Company and regulatory requirements of regulatory authorities, the Company adopts an internal control system that possesses the characteristic of the Company to gradually improve the governance level of the Company.

Risk Assessment

— to identify the Company's risks based on the risk preference and risk tolerance of the Company determined by the Board of directors; and

— to prioritize the risk in accordance with their likelihood of occurrence and impact on the business.

Control Activities

— With reference to the basic standard for enterprise internal control and related guidelines, the Company establishes a completed management system and management process.

Information and Communication

— to regularly report to the Board of directors the results of risk monitoring, including the risk register, internal audit plan and work report prepared by external independent consultants.

Monitoring

In accordance with the internal control and management methods of the internal control, the Company:

— sets up the internal control organization system;

— formulates the specific procedures, methods and work requirements for the risk identification, construction, evaluation and issue of evaluation report; and

— includes the internal control evaluation into the performance appraisal system of the Company to ensure the effectiveness of internal control.

During the year, the Board has engaged the external independent consultant to conduct various agreed upon reviews over the Company's certain major risk management and internal control system and report the findings of the reviews and recommendations to the Board to assist the Board in performing the annual review in terms of the effectiveness of risk management and internal control system for the year ended 31 December 2018.

The Board has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2018, including the financial, operational and compliance controls, and considers that the relevant systems are effective and adequate.

Inside Information

The Company has formulated the policy for the handling and dissemination of inside information. The Company regularly reminds the Directors and employees of proper compliance with all policies on inside information. In addition, the Company also performed the internal training on disclosure requirements for listed companies in Hong Kong to update the relevant person of latest regulatory requirement. The Company will regularly review and update the guidelines or policies to ensure the compliance with regulatory requirements.

COMPANY SECRETARY

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

During the year ended 31 December 2018, the Company Secretary had confirmed that she had taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by Shareholders

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

Procedures for putting forward proposals at Shareholders' meeting

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

Procedures for proposing an individual person for election as a Director

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

Procedures for putting forward enquiries to the Board

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

INVESTOR RELATIONS

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

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

During the year ended 31 December 2018, there had been no significant change in the Company's constitutional documents.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2018, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statements of profit or loss and comprehensive income on pages 41 to 42 of this annual report.

DIVIDEND AND DIVIDEND POLICY

The Board did not recommend the payment of final dividend for the year ended 31 December 2018 (for the year ended 31 December 2017: nil).

The Board aims to not only deliver continuous return to the Shareholders but also maintain sufficient reserve for the Group's future development. The Board adopted a dividend policy (the "Dividend Policy") on 21 March 2019.

Pursuant to the Dividend Policy, the Company will consider various factors in determining whether to declare any dividend and determine the amount of the relevant dividend in the future, including but not limited to: (i) the actual and expected financial results and financial position of the Group; (ii) the expected working capital requirements, capital expenditure requirements and future expansion plans of the Group; (iii) the actual and future operation and liquidity position of the Group; (iv) the Group's debt-to-equity ratio, equity return ratio and committed financial covenants; (v) the general economic and political conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and (vi) any other factors that the Board deems appropriate.

The Company will still review the Dividend Policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period. The payment of dividends is also subject to the requirements of the laws of the Cayman Islands and the memorandum and articles of association of the Company.

BUSINESS REVIEW

A review of the business of the Group during the year, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in Management Discussion and Analysis on pages 8 to 13 of the annual report respectively. The financial risk management objectives and policies of the Group can be found in note 48 to the consolidated financial statements.

RESERVES

The Company did not have distributable reserves as at 31 December 2018.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 45 to 46 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 158 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

NOTES

As at 11 September and 18 October 2018, the Company issued the 5.625 per cent. notes due 2021 with a total carrying amount of US$300,000,000 (the "Notes"). The Notes have the benefit of a keepwell and liquidity support deed and a deed of equity interest purchase undertaking provided by Beijing Capital Group, the controlling Shareholder. The Notes are rated "BBB" by Fitch Ratings Ltd. All the proceeds of the offering of the Notes will be used in accordance with the Green Bond Framework of Beijing Capital Group to fund or refinance Eligible Green Assets and Projects undertaken by the Company.

BANK BORROWINGS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

The list of Directors during the year and up to the date of this directors' report are:

Executive Directors

Ms. Zhang Meng *(Chairlady, redesignated as Chairlady on 20 April 2018)*
Mr. Wu Lishun *(Former chairman, resigned on 20 April 2018)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Liu Yongzheng *(resigned on 20 April 2018)*
Mr. Cheng Jialin
Ms. Hao Chunmei *(appointed on 20 April 2018)*

Independent Non-executive Directors

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

In accordance with articles 86 and 87 of the articles of association of the Company, Mr. Cheng Jialin, Ms. Hao Chunmei, Mr. Pao Ping Wing and Dr. Chan Yee Wah, Eva will retire from office and, being eligible offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and still considers them to be independent. In which, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen, the independent non-executive Directors, have been serving in the Company for more than 9 years. However, there is no evidence suggesting that their independence has already been or will be compromised or affected, especially in terms of the implementation of independent judgment and the provision of objective opinions to the management. The Board is confident that Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen will present the balanced and objective opinion to continue his valuable contributions to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 14 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into letter of appointment with the Company for a term of three years.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

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

As at 31 December 2018, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

The Company's share option scheme has expired on 14 June 2016, and the Company has no any share option schemes currently in force.

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

As at 31 December 2018, the following Shareholders had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage of shareholdings
Beijing Capital (Hong Kong) Limited	Beneficial owner (Note 1)	6,449,026,736 (L)	45.11%
Beijing Capital Co., Ltd.	Interest of a controlled corporation (Note 1)	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited	Beneficial owner (Note 2)	3,116,767,072 (L)	21.80%
Beijing Capital Group Company Limited	Interest of controlled corporations (Note 1 & 2)	9,565,793,808 (L)	66.92%

(L) denotes a long position

Notes:

1. Beijing Capital (Hong Kong) Limited was a wholly-owned subsidiary of Beijing Capital Co., Ltd.. Beijing Capital Group holds 46.06% of the issued shares of Beijing Capital Co., Ltd.. As such, Beijing Capital Group and Beijing Capital Co., Ltd. were deemed to have interest in the Shares held by Beijing Capital (Hong Kong) Limited for the purposes of the SFO.

2. BCG Chinastar International Investment Limited is the wholly-owned subsidiary of Beijing Capital Group. Therefore, Beijing Capital Group is deemed to be interested in the shares held by BCG Chinastar International Investment Limited in accordance with the SFO.

Save as aforesaid, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 31 December 2018 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

Corporate Financing Guarantee Service

On 7 November 2017, Beijing Capital Environment Investment Limited (北京首創環境投資有限公司) ("Capital Investment"), a wholly-owned subsidiary of the Company and Beijing Capital Group entered into an entrustment guarantee agreement (the "Entrustment Guarantee Agreement"), pursuant to which Beijing Capital Group provides corporate financing guarantee service to Capital Investment. Beijing Capital Group, as the guarantor under the Entrustment Guarantee Agreement, agreed to provide guarantee to Ping An Asset Management Co., Ltd. ("Ping An Asset") in respect of a financing agreement (the "Financing Agreement"), so as to procure that Ping An Asset provides the Group with a loan of up to RMB1,000,000,000 in aggregate. Capital Investment shall pay to Beijing Capital Group, a guarantee fee for such service which is calculated at the rate of 0.6% per annum on the total principal amount in respect of which Beijing Capital Group assumed the guarantee liability. Pursuant to the Entrustment Guarantee Agreement, the annual caps for the maximum guarantee fee payable by the Group for the years ended 31 December 2017, 2018, 2019, 2020, 2021 and 2022 were RMB0.904 million, RMB6 million, RMB6 million, RMB6 million, RMB6 million and RMB5.096 million respectively.

As at 31 December 2018, the Group drew down a sum of loans of RMB100 million from Ping An Asset with regard to the Financing Agreement. The Group's guarantee fee payable to Beijing Capital Group for the year ended 31 December 2018 was RMB6 million.

On 7 November 2017 (i.e. the date of the Entrustment Guarantee Agreement) and 31 December 2018 (i.e. the end date of the year under review), Beijing Capital Group was a controlling Shareholder of the Company, indirectly holding 66.92% of the share capital of the Company. Beijing Capital Group is the connected person of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios of the continuing connected transaction with respect to the payment of guarantee fee to Beijing Capital Group by Capital Investment exceed 0.1% but less than 5%, the transaction is subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange, the Board appointed the auditor of the Company to carry out several agreed audit procedures in respect of the continuing connected transaction. The auditor reported to the Board, the actual audit findings of such procedures.

The independent non-executive Directors reviewed the aforesaid continuing connected transaction and confirmed that such transaction was entered into:

1. in the ordinary and usual course of business of the Company;
2. on normal commercial terms or better; and
3. according to the agreement governing such transaction that are fair and reasonable and in the interests of the Shareholders of as a whole.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 22.7% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 7.6%.

Purchase from the Group's five largest suppliers accounted for 14.4% of the Group's total purchases for the year and purchase from the Group's largest customer included therein accounted for 5.8%.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 18 to 28 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company's implementation of environmental and social responsibilities will be set out in the Environmental, Social and Governance report, which will be uploaded to the websites of the Company and the Stock Exchange by the end of June, 2019.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Zhang Meng
Chairlady

Hong Kong, 21 March 2019

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Capital Environment Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Capital Environment Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 41 to 157, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Accounting treatment for service concession arrangements	
The Group entered into service concession arrangements with government authorities or their designators in respect of the waste management and waste-to-energy business in the People's Republic of China. The arrangements were accounted for in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements*. The accounting treatment for service concession arrangements involved significant management judgements and estimates, including determination of applicable accounting models, estimation of the future guaranteed receipts, prevailing market rates of construction gross margins and discount rates as used in the valuation process, and determination of the percentage of completion of construction services. As a result, we identified the accounting treatment for service concession arrangements as a key audit matter requiring special audit consideration. The accounting policies and disclosures for service concession arrangements are included in note 2.4 Summary of significant accounting policies — Service concession arrangements, note 3 Significant accounting judgements and estimates — Service concession arrangements, note 3 Significant accounting judgements and estimates — Percentage of completion of construction work, note 5 Revenue, other income and gains, note 16 Other intangible assets and note 21 Concession financial assets and note 22 Contract assets to the consolidated financial statements.	We evaluated the accounting models adopted by the Group and assessed the future guaranteed receipts by reviewing the contract terms of the service concession arrangements. We performed a comparison of the inputs to the accounting models with external market data. In addition, we involved our internal valuation specialists to assist us in evaluating the gross margins for construction services and discount rates. We also evaluated management's assessment of percentage of completion of construction services by inquiring management about the status of significant projects under construction and examining independent surveyors' reports. We tested the underlying data adopted by independent surveyors, which included checking to purchase contracts, invoices and goods delivery notes for construction costs. We also understood and tested management's process of estimating the total budget cost and costs to completion for incomplete construction contracts. In addition, we assessed the adequacy of the relevant disclosures.

Key audit matter	How our audit addressed the key audit matter
Impairment of concession financial assets	
Concession financial assets represented the guaranteed receipts of waste treatment fees under the service concession arrangements. The balance of concession financial assets at 31 December 2018 amounted to RMB1,835 million, which accounted for 38% of the net assets of the Group. In addition, to recognise an allowance for expected credit loss for concession financial assets, management applied the simplified approach based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Given the significance of the balances and the level of judgement involved, we considered this as a key audit matter. The accounting policies and disclosures of impairment of concession financial assets are included in note 2.4 Summary of significant accounting policies — Service concession arrangements, note 3 Significant accounting judgements and estimates — Provision for expected credit losses on trade receivables, concession financial assets, contract assets and financial assets included in prepayments, other receivables and other assets and note 21 Concession financial assets to the consolidated financial statements.	Our audit procedures included, among others, understanding and testing the Group's processes and controls related to monitoring of receivables under service concession arrangements, inquiring about management's judgements involved in the assessment of impairment of concession financial assets, evaluating reasonability of the adjustment for forward-looking factors and examining subsequent receipts and the debtors' historical repayment patterns to access the historical credit loss experience. In addition, we also assessed the adequacy of the relevant disclosures.
Impairment of goodwill and intangible assets with indefinite useful lives	
Under HKAS 36, the Group is required to perform impairment test of goodwill and intangible assets with indefinite useful lives at least annually. The process is highly judgemental and is based on assumptions, in particular those related to future revenue growth rate, operating margin, perpetual growth rate and discount rate. The annual impairment test was significant to our audit because the balances of RMB2,050 million of goodwill and RMB853 million of intangible assets with indefinite useful lives as at 31 December 2018 were material to the consolidated financial statements. Given the level of judgement involved and the significance of the balances, we considered this as a key audit matter. The accounting policies and disclosures for the impairment of goodwill and intangible assets with indefinite useful lives are included in note 2.4 Summary of significant accounting policies — Business combinations and goodwill, note 2.4 Summary of significant accounting policies — Intangible assets (other than goodwill), note 3 Significant accounting judgements and estimates — Impairment of goodwill and intangible assets with indefinite useful lives, note 15 Goodwill and note 16 Other intangible assets to the consolidated financial statements.	Our audit procedures included, among others, involving our internal valuation specialists to assist us in evaluating the assumptions, i.e., perpetual growth rate and discount rate, and methodologies used by the Group, comparing the key assumptions used in the impairment test, i.e., future revenue growth rate and operating margin, to the historical performance of the Group and management's business development plan, and reviewing the sensitivity analysis for the recoverable amounts of the respective cash-generating units prepared by management. We also focused on the adequacy of the relevant disclosures, especially for those key assumptions to which the outcome of the impairment test is sensitive.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik.

Certified Public Accountants
Hong Kong
21 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
REVENUE	5	**4,648,196**	3,495,166
Cost of sales		**(3,446,261)**	(2,487,959)
Gross profit		**1,201,935**	1,007,207
Other income and gains	5	**92,604**	17,991
Administrative expenses		**(581,739)**	(537,274)
Other expenses		**(12,774)**	(6,405)
Finance costs	7	**(310,192)**	(195,942)
Share of profits of joint ventures		**39,299**	56,142
Share of profits of associates		**13,135**	6,255
PROFIT BEFORE TAX	6	**442,268**	347,974
Income tax expense	10	**(131,623)**	(74,255)
PROFIT FOR THE YEAR		**310,645**	273,719
Attributable to:			
Owners of the parent		**182,733**	148,342
Non-controlling interests		**127,912**	125,377
		310,645	273,719
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	12	**RMB1.28 cents**	RMB1.04 cents
Diluted	12	**RMB1.28 cents**	RMB1.04 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
PROFIT FOR THE YEAR	**310,645**	273,719
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	**(21,763)**	—
Available-for-sale investments:		
Changes in fair value	**—**	14,896
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**—**	3,300
Exchange differences related to foreign operations	**(16,077)**	(123,195)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(37,840)**	(104,999)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**272,805**	168,720
Attributable to:		
Owners of the parent	**144,684**	102,092
Non-controlling interests	**128,121**	66,628
	272,805	168,720

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,007,895	1,790,082
Prepaid land lease payments	14	78,452	49,627
Goodwill	15	2,050,248	2,044,408
Other intangible assets	16	2,087,014	1,906,175
Investments in joint ventures	17	459,102	462,344
Investments in associates	19	104,667	91,532
Financial assets at fair value through other comprehensive income	20	78,185	—
Available-for-sale investments		—	95,041
Deferred tax assets	35	6,063	10,568
Concession financial assets	21	1,532,911	1,864,989
Contract assets	22	2,025,678	—
Prepayments, other receivables and other assets	23	113,597	132,028
Pledged deposits	27	2,000	—
Time deposits	27	—	12,500
Total non-current assets		10,545,812	8,459,294
CURRENT ASSETS			
Inventories	24	49,265	39,911
Concession financial assets	21	302,362	178,988
Contract assets	22	107,225	—
Assets classified as held for sale	28	22,144	9,541
Trade receivables	25	854,136	777,632
Prepayments, other receivables and other assets	23	526,731	265,238
Prepaid land lease payments	14	1,986	948
Amounts due from associates	26	47,876	47,741
Tax recoverable		18,965	6,354
Pledged deposits	27	3,509	4,000
Time deposits	27	2,500	—
Cash and cash equivalents	27	2,403,522	892,790
Total current assets		4,340,221	2,223,143
CURRENT LIABILITIES			
Trade payables	29	785,888	405,155
Other payables and accruals	30	526,692	389,493
Deferred income	31	894	394
Derivative financial instruments		5,266	1,727
Interest-bearing bank and other borrowings	32	1,332,754	3,145,327
Amount due to a related party		1,665	1,376
Tax payable		70,358	47,983
Total current liabilities		2,723,517	3,991,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2018

	Notes	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
NET CURRENT ASSETS/(LIABILITIES)		**1,616,704**	(1,768,312)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,162,516**	6,690,982
NON-CURRENT LIABILITIES			
Deferred income	31	**88,703**	34,153
Interest-bearing bank and other borrowings	32	**4,501,981**	1,553,374
Notes payable	33	**2,046,726**	—
Derivative financial instruments		**522**	—
Deferred tax liabilities	35	**502,891**	434,266
Provisions	34	**217,775**	204,114
Total non-current liabilities		**7,358,598**	2,225,907
Net assets		**4,803,918**	4,465,075
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**1,188,219**	1,188,219
Reserves	37	**2,174,143**	2,025,290
		3,362,362	3,213,509
Non-controlling interests		**1,441,556**	1,251,566
Total equity		**4,803,918**	4,465,075

ZHANG MENG
Director

CAO GUOXIAN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 36)	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Hedging reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	(Accumulated losses)/ Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	1,188,219	3,972,845	—	(481,084)	(1,683)	(18,963)	(104,381)	(1,453,076)	3,101,877	1,190,108	4,291,985
Profit for the year	—	—	—	—	—	—	—	148,342	148,342	125,377	273,719
Other comprehensive income for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	—	14,896	—	—	14,896	—	14,896
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(62,829)	—	(62,829)	(60,366)	(123,195)
Cash flow hedges, net of tax	—	—	—	—	1,683	—	—	—	1,683	1,617	3,300
Total comprehensive income for the year	—	—	—	—	1,683	14,896	(62,829)	148,342	102,092	66,628	168,720
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	23,000	23,000
Acquisition of non-controlling interests	—	—	9,540	—	—	—	—	—	9,540	(28,170)	(18,630)
At 31 December 2017	1,188,219	3,972,845	9,540	(481,084)	—	(4,067)	(167,210)	(1,304,734)	3,213,509	1,251,566	4,465,075

Year ended 31 December 2018

	Attributable to owners of the parent										
	Issued capital *RMB'000* (note 36)	Share premium *RMB'000*	Capital reserve *RMB'000*	Merger reserve *RMB'000*	Available-for-sale investment revaluation reserve *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000*	Exchange fluctuation reserve *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2017	1,188,219	3,972,845	9,540	(481,084)	(4,067)	—	(167,210)	(1,304,734)	3,213,509	1,251,566	4,465,075
Adjustment on adoption of HKFRS 9 (note 2)	—	—	—	—	4,067	840	—	—	4,907	—	4,907
At 1 January 2018	1,188,219	3,972,845	9,540	(481,084)	—	840	(167,210)	(1,304,734)	3,218,416	1,251,566	4,469,982
Profit for the year	—	—	—	—	—	—	—	182,733	182,733	127,912	310,645
Other comprehensive income for the year:											
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	—	(21,763)	—	—	(21,763)	—	(21,763)
Exchange differences related to foreign operations	—	—	—	—	—	—	(16,286)	—	(16,286)	209	(16,077)
Total comprehensive income for the year	—	—	—	—	—	(21,763)	(16,286)	182,733	144,684	128,121	272,805
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	52,377	52,377
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	36,060	36,060
Acquisition of non-controlling interests	—	—	(738)	—	—	—	—	—	(738)	(9,761)	(10,499)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(16,807)	(16,807)
At 31 December 2018	1,188,219	3,972,845*	8,802*	(481,084)*	—	(20,923)*	(183,496)*	(1,122,001)*	3,362,362	1,441,556	4,803,918

* These reserve accounts comprise the consolidated reserves of RMB2,174,143,000 (31 December 2017: RMB2,025,290,000) in the consolidated statement of financial position.

Merger reserve represents the difference between the fair value of the consideration paid to Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)"), an immediate shareholder of the Company, and BCG Chinastar International Investment Limited ("BCG Chinastar"), a wholly-owned subsidiary of the Company's ultimate controlling shareholder, Beijing Capital Group Co., Ltd. ("Beijing Capital Group"), for the acquisition of a 51% interest in BCG NZ Investment Holdings Limited ("BCG NZ"), which is under common control of Beijing Capital Group, and the carrying amounts of the net assets of BCG NZ acquired. After the acquisition, BCG Chinastar became one of the immediate shareholders of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**442,268**	347,974
Adjustments for:			
Depreciation	13	**221,139**	218,663
Recognition of prepaid land lease payments	14	**1,599**	4,292
Amortisation of other intangible assets	16	**59,889**	56,265
Gain on disposal of items of property, plant and equipment	6	**(6,405)**	(908)
Impairment of prepayments, other receivables and other assets	6	**949**	2,420
Impairment of trade receivables	6	**2,649**	2,630
Share of profits of joint ventures		**(39,299)**	(56,142)
Share of profits of associates		**(13,135)**	(6,255)
Interest income		**(170,738)**	(98,449)
Finance costs	7	**310,192**	195,942
Dividend income from financial assets at fair value through other comprehensive income		**(94)**	—
Dividend income from available-for-sale investments	5	**—**	(1,111)
Gain on de-registration of a subsidiary	5	**(2,411)**	—
		806,603	665,321
Increase in inventories		**(9,180)**	(10,094)
Increase in concession financial assets and contract assets		**(982,474)**	(400,686)
Increase in trade receivables		**(68,187)**	(144,903)
Increase in prepayments, other receivables and other assets		**(216,102)**	(138,153)
Increase in deferred income		**55,444**	15,800
Increase in trade payables		**385,298**	178,257
Decrease in other payables and accruals		**(6,716)**	(44,440)
Decrease in provision	34	**(4,186)**	(1,665)
Cash generated from/(used in) operations		**(39,500)**	119,437
Profits tax paid		**(61,895)**	(64,910)
Net cash flows from/(used in) operating activities		**(101,395)**	54,527

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(421,110)**	(427,837)
Additions of other intangible assets in relation to service concession arrangements and related contract assets		**(728,109)**	(298,336)
Additions to other intangible assets		**(66,729)**	(20,950)
Purchase of prepaid lease payments		**(27,404)**	(3,091)
Proceeds from disposal of items of property, plant and equipment		**12,033**	4,275
Deposits paid to potential acquisitions		**—**	(14,500)
(Increase)/decrease in assets held for sale		**(12,603)**	1,444
Dividends received from financial assets at fair value through other comprehensive income		**94**	—
Dividends received from available-for-sale investments		**—**	1,111
Dividends received from joint ventures		**43,219**	40,598
Interest received		**42,130**	5,327
Acquisition of subsidiaries	39	**(124,971)**	—
Decrease in pledged time deposits		**8,491**	7,500
Net cash flows used in investing activities		**(1,274,959)**	(704,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(210,197)**	(192,402)
New bank and other borrowings		**1,801,557**	1,985,773
Proceeds from issue of notes payable	33	**2,045,442**	—
Repayment of bank and other borrowings		**(770,497)**	(845,120)
Dividends paid to non-controlling shareholders		**(16,807)**	(147,453)
Acquisition of non-controlling interests of subsidiaries		**(10,499)**	(8,799)
Capital contribution from non-controlling shareholders of subsidiaries		**52,378**	23,000
Net cash flows from financing activities		**2,891,377**	814,999
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,515,023**	165,067
Cash and cash equivalents at beginning of year		**892,790**	755,954
Effect of foreign exchange rate changes, net		**(4,291)**	(28,231)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,403,522**	892,790
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**2,399,031**	896,790
Time deposits with original maturity of less than three months	27	**10,000**	—
Pledged deposits	27	**(5,509)**	(4,000)
Cash and cash equivalents as stated in the statement of cash flows		**2,403,522**	892,790

1. CORPORATE AND GROUP INFORMATION

Capital Environment Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 13 July 2006. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's head office and principal place of business in Hong Kong is located at Unit 1613–1618, 16th Floor, Bank of America Tower, 12 Harcourt Road, Central.

The Company and its subsidiaries (the "Group") are involved in the waste treatment and waste-to-energy business.

The ultimate holding company of the Company is Beijing Capital Group, a state-owned enterprise registered in the People's Republic of China ("PRC").

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Capital Environment Investment Limited (首創環保投資有限公司)*	Hong Kong	HK$500,000,000	100	—	Investment holding
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	PRC/Mainland China	RMB209,000,000	—	100	Waste treatment and waste-to-energy generation
Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司)	PRC/Mainland China	RMB60,000,000	—	100	Kitchen waste treatment
Beijing Capital Environment Investment Limited (北京首創環境投資有限公司)	PRC/Mainland China	RMB2,704,000,000	—	100	Provision of technical services
Duyun Kelin Environment Company Limited (都匀市科林環保有限公司)	PRC/Mainland China	RMB40,000,000	—	100	Municipal solid waste treatment
Weng'an Kelin Environment Company Limited (甕安縣科林環保有限公司)	PRC/Mainland China	RMB21,000,000	—	100	Municipal solid waste treatment
Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Limited (江蘇蘇北廢舊汽車家電拆解再生利用有限公司) **	PRC/Mainland China	RMB216,000,000	—	55	Recycle and disassembly of waste electrical and electronic equipment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	PRC/Mainland China	RMB20,000,000	—	70	Waste treatment and waste-to-energy generation
Anhui Capital Environmental Technology Company Limited (安徽首創環境科技有限公司)	PRC/Mainland China	RMB80,000,000	—	95	Recycle and disassembly of waste electrical and electronic equipment
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司) **	PRC/Mainland China	RMB500,600,000	—	98.95	Waste treatment and waste-to-energy generation project
Huludao Kangte Jincheng Environment Management Company Limited (葫蘆島康達錦程環境治理有限公司)	PRC/Mainland China	RMB40,000,000	—	100	Municipal solid waste treatment
Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司)	PRC/Mainland China	RMB60,000,000	—	70	Recycle and waste treatment
Ningbo Capital Environment Kitchen Waste Treatment Company Limited (寧波首創廚餘垃圾處理有限公司) **	PRC/Mainland China	RMB90,200,000	—	60	Kitchen waste treatment
Yangzhou Capital Solid Environment Technology Limited (揚州首拓環境科技有限公司)	PRC/Mainland China	RMB80,000,000	—	100	Hazardous waste treatment
Nanyang Capital Environment Technology Company Limited (南陽首創環境科技有限公司)	PRC/Mainland China	RMB200,250,000	—	100	Municipal solid waste treatment
Duyun Capital Environmental Sanitation Services Limited (都勻市首創環衛服務有限公司)	PRC/Mainland China	RMB5,000,000	—	100	Waste collection and transportation
Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited (高安意高再生資源熱力發電有限公司)	PRC/Mainland China	RMB110,000,000	—	60	Waste treatment and waste-to-energy generation
Jinzhong Capital Environment Resources Limited (晉中市首創環和環保能源有限公司)	PRC/Mainland China	RMB22,150,000	—	63.88	Kitchen waste treatment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xihua Capital Environment Resources Limited (西華首創環保能源有限公司)	PRC/Mainland China	RMB100,000,000	—	100	Waste treatment and waste-to-energy generation
Xihua Capital Environment Sanitation Limited (西華首創環衛有限公司)	PRC/Mainland China	RMB15,000,000	—	100	Waste collection and transportation
Zibo Capital Solid Environment Technology Limited (淄博首拓環境科技有限公司)	PRC/Mainland China	RMB80,000,000	—	100	Hazardous waste treatment
Shicheng Capital Environment Limited (石城縣首創環保有限公司)	PRC/Mainland China	RMB20,000,000	—	60	Municipal solid waste treatment
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	PRC/Mainland China	RMB100,000,000	—	100	Production and operation of factories for municipal solid waste treatment
Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司)	PRC/Mainland China	RMB100,000,000	—	100	Waste treatment and waste-to-energy generation
Suixian Capital Environmental Sanitation Limited (睢縣首創環衛有限公司)	PRC/Mainland China	RMB10,000,000	—	100	Waste collection and transportation
Beijing Capital Environment Engineering Co., Ltd. (北京首創環境工程有限公司)***	PRC/Mainland China	RMB86,400,000	—	100	Waste treatment
Beijing Capital Environment Technology Co., Ltd. (北京首創環境科技有限公司)***	PRC/ Mainland China	RMB180,646,295	—	100	Provision of technical services
Yangzhou Capital Investment Limited (揚州首創投資有限公司)***	PRC/Mainland China	USD60,500,000	—	100	Investment holding
Shenzhen Qianhai Capital Environment Investment Limited (深圳前海首創環境投資有限公司)***	PRC/Mainland China	HK$2,200,000,000	100	—	Investment holding
Linyi Capital Environmental Hygiene Limited (臨猗首創環衛有限公司)	PRC/Mainland China	RMB7,000,000	—	100	Waste collection and transportation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Duyun Capital Environment Company Limited (都匀市首創環保有限公司)	PRC/Mainland China	RMB137,160,000	—	62.09	Waste treatment and waste-to-energy generation
Jiangxi Ruijin Ai Si Environmental Electric Limited (江西瑞金愛思環保電力有限公司)	PRC/Mainland China	RMB100,000,000	—	97	Waste treatment and waste-to-energy generation
Lushan Capital Environment Energy Company Limited (魯山首創環保能源有限公司)	PRC/Mainland China	RMB110,000,000	—	90	Waste treatment and waste-to-energy generation
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	PRC/Mainland China	RMB80,000,000	—	90	Waste treatment and waste-to-energy generation
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	PRC/Mainland China	RMB100,000,000	—	100	Waste treatment and waste-to-energy generation
Suiping Capital Environmental Sanitation Company Limited (遂平首創城鄉環衛有限公司)	PRC/Mainland China	RMB10,000,000	—	100	Waste collection and transportation
Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司)	PRC/Mainland China	RMB80,700,000	—	55	Construction waste treatment technical services
Beijing Capital Environmental Sanitation Company Limited (北京首創環衛有限公司)	PRC/Mainland China	RMB5,000,000	—	100	Waste sweep
Beijing Capital Solid Environment Technology Co., Ltd. (北京首拓環境科技有限公司)***	PRC/Mainland China	RMB50,000,000	—	100	Provision of technical services
Guangchang Capital Environment Co., Ltd. (廣昌縣首創環保有限公司)	PRC/Mainland China	RMB10,000,000	—	100	Waste collection and transportation
Mianyang Lubo Lubricant Co., Ltd (綿陽路博潤滑油脂有限公司)	PRC/Mainland China	RMB51,120,000	—	55	Hazardous waste treatment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司)	PRC/Mainland China	RMB100,000,000	—	80	Waste treatment and waste-to-energy generation
Huainan Capital Environment Recovery Engineering Co., Ltd. (淮南首創環境修復工程有限公司)	PRC/Mainland China	RMB66,900,000	—	100	Restoration and Operation of waste accumulation site
Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司)	PRC/Mainland China	RMB28,571,500	—	100	Municipal solid waste treatment
Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎岩生活垃圾處理有限公司)	PRC/Mainland China	RMB10,000,000	—	100	Municipal solid waste treatment
Yutian Capital Environmental Energy Co., Ltd. (玉田首創環保源有限公司)	PRC/Mainland China	RMB16,000,000	—	100	Waste treatment and waste-to-energy generation
Gaoan Capital Environmental Sanitation Co., Ltd. (高安首創環衛有限公司)	PRC/Mainland China	RMB20,000,000	—	51	Waste collection and transportation
Xinxiang Capital Solid Environment Technology Co., Ltd. (新鄉市首拓環境科技有限公司)	PRC/Mainland China	RMB10,000,000	—	70	Hazardous waste treatment
BCG NZ Investment Holding Limited*	Hong Kong	NZ$389,987,539	51	—	Investment holding
Beijing Capital Group NZ Investment Holding Limited*	New Zealand	NZ$209,987,539	—	51	Investment holding
Waste Management NZ Limited*	New Zealand	—	—	51	Waste management service

* Audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

** The entities are registered as Sino-foreign equity joint ventures.

*** The entities are wholly-foreign-owned enterprises under PRC law.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

The other subsidiaries registered in the PRC are domestic companies with limited liability under PRC law.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Change of functional currency

In prior years, the functional currency of the Company was determined as RMB. Starting from 1 July 2018, the functional currency of the Company was changed from RMB to the United States dollar ("US$"), because, in the opinion of the directors of the Company, the Company's underlying transactions, events and conditions have changed and the directors of the Company consider that the future business transactions, in terms of investing and financing activities, of the Company will be more internationalised.

The change in functional currency of the Company was applied prospectively from the date of change.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION *(Continued)*

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

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

The nature and the impact of the amendments are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments replaces* HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

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

(b) *(Continued)*

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs") which was immaterial to the financial position as at 1 January 2018.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement		Re-		HKFRS 9 measurement	
	Notes	Category	Amount	classification	Others	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Equity investments at fair value through other comprehensive income		N/A	—	95,041	4,907	99,948	FVOCI[1] (equity)
From: Available-for-sale investments	(i)		—	95,041	—	—	
Available-for-sale investments		AFS[2]	95,041	(95,041)	—	—	N/A
To:Equity investments at fair value through other comprehensive income	(i)		—	(95,041)	—	—	
Trade receivables	(ii)	L&R[3]	777,632	—	—	777,632	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	145,360	—	—	145,360	AC
Amounts due from associates		L&R	47,741	—	—	47,741	AC
Concession financial assets		L&R	1,100,244	—	—	1,100,244	AC
Pledged deposits		L&R	4,000	—	—	4,000	AC
Time deposits		L&R	12,500			12,500	AC
Cash and cash equivalents		L&R	892,790	—	—	892,790	AC
			3,075,308	—	4,907	3,080,215	
Other assets							
Contract assets	(ii)		943,733	—	—	943,733	
Total			4,019,041	—	4,907	4,023,948	
Financial liabilities							
Trade payables		AC	405,155	—	—	405,155	AC
Financial liabilities included in other payables and accruals		AC	172,266	—	—	172,266	AC
Interest-bearing bank and and other borrowings		AC	4,698,701	—	—	4,698,701	AC
Due to a related party		AC	1,376	—	—	1,376	AC
Derivative financial instrument		FVPL[5]	1,727	—	—	1,727	FVPL
Total			5,279,225	—	—	5,279,225	

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

(b) *(Continued)*

Classification and measurement *(Continued)*

[1] FVOCI: Financial assets at fair value through other comprehensive income
[2] AFS: Available-for-sale investments
[3] L&R: Loans and receivables
[4] AC: Financial assets or financial liabilities at amortised cost
[5] FVPL: Financial liabilities at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

For financial assets not held at FVPL, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses and concluded that HKFRS 9 did not have a material impact on the Group's consolidated financial statements except the classification and measurement listed above.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits *RMB'000*
Fair value reserve under HKFRS 9 (available-for-sale investments revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	(4,067)
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under HKAS 39	4,907
Balance as at 1 January 2018 under HKFRS 9	840

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

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group is involved in the waste treatment and waste-to-energy business in the PRC and New Zealand.

Service concession arrangements in the PRC

The Group entered into service concession arrangements with government authorities or their designators ("Grantor") in respect of the waste management and waste-to-energy business in the PRC. The arrangements were accounted for in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements*. HK(IFRIC)-Int 12 was not significantly amended upon the issue of HKFRS 15.

The Group has made a detailed assessment of the impact of HKFRS 15 on the accounting practices for service concession arrangements under HK(IFRIC)-Int 12, and concluded that (i) the Grantor is considered as the only customer of the service concession arrangements; (ii) the construction and operation obligations are identified as separate elements of the service concession arrangements, minor maintenance is not identified as a separate performance obligation; (iii) because of the timing of payments from the Grantor compared to the provision of construction services by the Group, the effect of financing is excluded from the transaction price prior to the allocation of transaction price to performance obligations; (iv) if stand-alone selling prices are not readily observable, they must be estimated, considering all information that is reasonably available to the entity. The Group chooses to estimate stand-alone selling prices using an expected cost plus margin approach; (v) revenue is recognised over time for construction and operating services. Minor maintenance is assumed not to be a separate performance obligation and therefore no revenue is recognised in respect of maintenance. Therefore, the adoption of HKFRS 15 did not have any significant impact on the Group's current accounting treatment of service concession arrangements in the PRC.

Rendering of waste treatment services in New Zealand

The Group's segment in New Zealand provided waste treatment services, including waste collection, waste landfill, recycling and technical services. The services were accounted for in accordance with HKAS 18 *Revenue* before 1 January 2018.

The Group has made a detailed assessment of the impact of HKFRS 15 on the accounting practices for waste treatment services, and concluded that the revenue shall be recognised upon delivery of services to the customers under HKFRS 15. Therefore, the adoption of HKFRS 15 did not have any significant impact on the Group's current accounting treatment of these waste treatment services.

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

(c) (continued)

The Group adopted HKFRS 15 using the modified retrospective method of approach and applied the adoption only to contracts not completed as at 1 January 2018, with no restatement of comparative periods, and a cumulative-effect adjustment recognised as at 1 January 2018.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. HKFRS 15 amends HK(IFRIC)-Int 12 to change the date of initial recognition of the financial asset and intangible asset. The amendment requires a contract asset to be recognised during the construction activity and requires the significant financing component in the arrangement to be accounted for in accordance with HKFRS 15 until construction is complete. The effect of adopting HKFRS 15 is as follows:

As at 1 January 2018

	Amounts prepared under		
	HKFRS 15	Previous HKFRS	Increase/ (decrease)
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Other intangible assets	1,544,329	1,906,175	(361,846)
Concession financial assets	956,542	1,864,989	(908,447)
Contract assets	1,270,293	—	1,270,293
CURRENT ASSETS			
Concession financial assets	143,702	178,988	(35,286)
Contract assets	35,286	—	35,286

As at 31 December 2018

	Amounts prepared under		
	HKFRS 15	Previous HKFRS	Increase/ (decrease)
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Other intangible assets	2,087,014	2,781,531	(694,517)
Concession financial assets	1,532,911	2,864,072	(1,331,161)
Contract assets	2,025,678	—	2,025,678
CURRENT ASSETS			
Concession financial assets	302,362	409,587	(107,225)
Contract assets	107,225	—	107,225

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

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business* [2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
HKFRS 16	*Leases* [1]
HKFRS 17	*Insurance Contracts* [3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material* [2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement* [1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [1]
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23* [1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year of 2018, the Group conducted a preliminary assessment and estimated that the adoption of HKFRS 16 would result in the recognition of right-of-use asset and lease liability primarily arising from leases of premises and properties in relation to the Group's various businesses. The Group will continue to assess the impact in more details.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

  (iii) the entity and the Group are joint ventures of the same third party;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

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

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

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

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

Freehold land	Not depreciated
Buildings	Shorter of useful lives of 25 years and the lease terms
Leasehold improvements	Shorter of useful lives of 5 years and the lease terms
Plant and machinery	6.67% to 20.00%
Furniture, fixtures and equipment	10.00% to 33.33%
Motor vehicles	6.67% to 33.33%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

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

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

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Customer contracts

Customer contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 16 to 19 years.

Service concession arrangements

Service concession arrangements recognised as intangible assets are stated at cost less any impairment losses and are amortised on a straight line basis over their estimated useful lives of 2 to 30 years.

Licences and franchises

Licences and franchises with definite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 27 years. Licences and franchises with indefinite useful lives are not amortised but tested for impairment annually.

Trade names and trademarks

Trade names and trademarks are intangible assets with indefinite useful lives and are not amortised but tested for impairment annually.

Software

Software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful lives of 2 to 5 years.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underling products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Service concession arrangements

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

When the Group has a right to charge users of public services as a consideration for providing service in a service concession arrangement, which is not an unconditional right to receive cash because the amounts are contingent on the extent of waste treatment/electricity generation. The right is recognised as an intangible asset at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible asset arising from a service concession arrangement is calculated to write off their costs over their useful lives, using a straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

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

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

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

Prepaid land premium under operating leases is initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Initial recognition and measurement *(Continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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

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

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

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

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(Continued)*

General approach *(Continued)*

The Group considers a financial asset in default when contractual payments are 90 days in New Zealand and one year in the PRC past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables, concession financial assets and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(Continued)*

Available-for-sale financial investments *(Continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to a related party, derivative financial instruments, notes payable and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

Loans and borrowings

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

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

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

Subsequent measurement *(Continued)*

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKFRS 9 and HKAS 39 is recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

Initial recognition and subsequent measurement *(Continued)*

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

Initial recognition and subsequent measurement *(Continued)*

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(Continued)*

Initial recognition and subsequent measurement *(Continued)*

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (a) the amount that would be recognised in accordance with the general guidance for provisions above; and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and 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 assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customers.

(b) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(c) Provision of waste management services

Revenue from the provision of waste management services is recognised at the point in time upon delivery of services to the customers.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

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

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

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" (applicable before 1 January 2018) below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" (applicable before 1 January 2018) below;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable before 1 January 2018) *(Continued)*

(d) rental income, on a time proportion basis over the lease terms;

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

(f) dividend income, when the shareholders' right to receive payment has been established.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Construction contracts (applicable before 1 January 2018)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts (applicable before 1 January 2018) *(Continued)*

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

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

Contracts for services (applicable before 1 January 2018)

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

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

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

Employee benefits

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

The employees of the subsidiaries in New Zealand are members of KiwiSaver schemes operated by the New Zealand government. The employees are allowed to join the schemes voluntarily by contributing a certain level of the gross pay on a monthly basis, while the employer would be compulsorily obligated to contribute to the schemes once the employees join. The New Zealand government is responsible for the pension liability to these retired staff. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The Group also operates various defined contribution retirement benefit schemes for those employees other than in Hong Kong, the PRC and New Zealand. Contributions are made based on the percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of these schemes. The assets of these schemes are held separately from those of the Group in various independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

The functional currencies of certain non-PRC subsidiaries and joint ventures are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into RMB at the rates of exchange prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of non-PRC subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Service concession arrangements

The Group entered into build-operate-transfer ("BOT"), transfer-operate-transfer ("TOT") and build-operate-own ("BOO") arrangements in respect of its waste treatment and waste-to-energy projects. The Group concluded that all the BOT, TOT and BOO arrangements are service concession arrangements under HK(IFRIC)-Int 12, because the local government authorities control and regulate the services, and the Group must provide relevant services with the infrastructure at a pre-determined service charge. In respect of BOT and TOT arrangements, upon expiry of service concession arrangements, the infrastructure has to be transferred to the local government authorities at nil consideration. Infrastructure for BOO arrangements is used in the service concession arrangements for its entire or substantially entire useful life.

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

Judgements *(Continued)*

Service concession arrangements *(Continued)*

Judgement is also exercised in determining the fair value of the concession financial assets. Discount rates, estimates of future cash flows and other factors are used in the valuation process.

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with the Grantors.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with the Grantors, profitability of the head contracts of the Grantors and the current economic conditions.

Tax provisions

Determining tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

No deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. The directors determine that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

Estimation uncertainty

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

Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill and intangible assets with indefinite useful life is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and intangible assets with indefinite useful life is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment of goodwill recognised for the year ended 31 December 2018 was nil (2017: nil). No impairment of intangible assets with indefinite useful lives was recognised for the years ended 31 December 2018 and 2017. Further details are given in note 15 and note 16.

Provision for expected credit losses on trade receivables, concession financial assets, contract assets and financial assets included in prepayments, other receivables and other assets

The Group uses a provision matrix to calculate ECLs for trade receivables, concession financial assets and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

Estimation uncertainty *(Continued)*

Provision for expected credit losses on trade receivables, concession financial assets, contract assets and financial assets included in prepayments, other receivables and other assets *(Continued)*

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group assessed the credit exposures of financial assets included in prepayment, other receivables and other assets, and there has not been a significant increase in credit risk since initial recognition and the Group performed expected credit loss assessment for credit losses that result from default events that are possible within the next 12 months.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables, concession financial assets, contract assets and other receivables is disclosed in note 25, note 21, note 22 and note 23 to the financial statements, respectively.

Impairment of non-financial assets (other than goodwill and intangible assets with indefinite useful lives)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill and intangible assets with indefinite useful lives) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. During the years ended 31 December 2018 and 2017, there was no impairment recognised in profit or loss for non-financial assets (other than goodwill and intangible assets with indefinite useful lives).

Fair value of unlisted equity investments

The unlisted equity investment has been valued based on a market-based valuation technique as detailed in note 47 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2018 was RMB19,002,000. Further details are included in note 20 to the financial statements.

Impairment of available-for-sale financial assets

Before 1 January 2018, the Group classified certain assets as available for sale and recognised movements of their fair values in equity. When the fair value declined, management made assumptions about the decline in value to determine whether there was an impairment that should be recognised in the statement of profit or loss. At 31 December 2017, no impairment losses had been recognised for available-for-sale assets. The carrying amount of available-for-sale assets measured at fair value as at 31 December 2017 was RMB78,808,000.

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

Estimation uncertainty *(Continued)*

Percentage of completion of construction work

The Group recognises revenue according to the percentage of completion for individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, an impairment loss may arise.

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is required to determine the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and unused tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in the statement of profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets at 31 December 2018 was approximately RMB6,063,000 (2017: RMB10,568,000).

Estimated useful lives and residual values of fixed assets and other intangible assets

Property, plant and equipment and other intangible assets are stated at cost less subsequent accumulated depreciation or amortisation and accumulated impairment losses. The estimation of their useful lives impacts the level of annual depreciation or amortisation expenses recorded.

If there is any indication of impairment, determining the extent to which property, plant and equipment and other intangible assets are impaired requires an estimation of the value in use of cash-generating units ("CGU") to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. As at 31 December 2018, the carrying amounts of property, plant and equipment and other intangible assets were RMB2,007,895,000 and RMB2,087,014,000 (2017: RMB1,790,082,000 and RMB1,906,175,000), respectively.

Provisions for site restoration

A provision for future landfill site restoration and aftercare costs is recognised when the activities giving rise to the need for site restoration and aftercare have commenced. Management estimates the present value of the future cash flows expected to be incurred, which increases each period due to the passage of time. Any increase in the provision due to the change in present value is recognised in the statement of profit or loss as a time value adjustment. Management will re-evaluate the estimate at the end of each reporting period.

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

Estimation uncertainty *(Continued)*

Provisions for site restoration *(Continued)*

Future landfill site restoration and aftercare costs provided for are initially capitalised in the statement of financial position. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non-current assets in the statement of financial position. As at 31 December 2018, the carrying amount of provision for site restoration was RMB217,775,000 (2017: RMB204,114,000).

4. OPERATING SEGMENT INFORMATION

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

The Group has two reportable segments, being (a) waste treatment and waste-to-energy business in the PRC and (b) waste treatment and waste-to-energy business in New Zealand.

Year ended 31 December 2018	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in New Zealand *RMB'000*	Total *RMB'000*
Segment revenue:			
Revenue from external customers	2,337,831	2,310,365	4,648,196
Revenue from operations			4,648,196
Segment results	122,310	188,335	310,645
Other segment information:			
Share of profits of joint ventures	—	39,299	39,299
Share of profits of associates	13,135	—	13,135
Impairment losses recognised in the statement of profit or loss	2,468	3,472	5,940
Impairment losses reversed in the statement of profit or loss	(2,342)	—	(2,342)
Depreciation and amortisation	27,054	255,573	282,627
Investments in joint ventures	—	459,102	459,102
Investments in associates	104,667	—	104,667
Capital expenditure (Note)	154,681	279,374	434,055
31 December 2018			
Segment assets	8,728,704	6,157,329	14,886,033
Segment liabilities	6,171,347	3,910,768	10,082,115

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017	Waste treatment and waste-to-energy business in the PRC	Waste treatment and waste-to-energy business in New Zealand	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Revenue from external customers	1,176,367	2,318,799	3,495,166
Revenue from operations			3,495,166
Segment results	41,808	231,911	273,719
Other segment information:			
Share of profits of joint ventures	—	56,142	56,142
Share of profits of associates	6,255	—	6,255
Impairment losses recognised in the statement of profit or loss	3,511	1,539	5,050
Depreciation and amortisation	21,133	258,087	279,220
Investments in joint ventures	—	462,344	462,344
Investments in associates	91,532	—	91,532
Capital expenditure (Note)	62,700	388,334	451,034
31 December 2017			
Segment assets	4,750,666	5,931,771	10,682,437
Segment liabilities	2,377,692	3,839,670	6,217,362

Note: Capital expenditure consists of additions to property, plant and equipment.

Information about a major customer

No individual customer of the Group from whom the revenue was derived amounted to 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the proceeds, net of value-added tax and surcharges from the following revenue streams during the year.

An analysis of the Group's revenue, other income and gains for the year is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Revenue from contracts with customers		
Construction services under service concession arrangements	1,632,096	753,254
Operation services under service concession arrangements	230,231	90,758
Effective interest income on concession financial assets	128,473	85,115
Electronic appliance dismantling	284,229	222,808
Waste collection services	1,488,503	1,513,694
Waste landfill services	468,827	437,116
Recycling	105,520	113,115
Technical services	236,344	245,986
Others	73,973	33,320
	4,648,196	3,495,166

Revenue from contracts with customers

(i) Disaggregated revenue

Geographical markets

The Group's revenue are mainly derived from the PRC and New Zealand markets. The revenue from the PRC market amounting to RMB2,337,831,000 (2017: RMB1,176,367,000) was derived from construction services under service concession arrangements, operation services under service concession arrangements, effective interest income on concession financial assets, electronic appliance dismantling services and others. The revenue from the New Zealand market amounting to RMB2,310,365,000 (2017: RMB2,318,799,000) was derived from waste collection service, waste landfill services, recycling, technical services and others.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services under service concession arrangements

The performance obligation is satisfied over time as services are rendered and payment is generally along with the operating service rendered in the operating period according to the service concession arrangement.

Operation services under service concession arrangements

The performance obligation is satisfied over time as services are rendered and payment is generally due upon the completion of the operation service according to the service concession arrangement.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

(ii) Performance obligations *(Continued)*

Electronic appliance dismantling

Revenue from electronic appliance dismantling is derived from two performance obligations: sale of dismantled parts which is satisfied upon delivery and payment in advance is normally required; rendering of dismantling service to the PRC government which is satisfied over time as the services are rendered and payment is generally due around 2 to 3 years from the completion of dismantling. The Group has considered the effect of the significant financing component on the transaction price.

Waste collection, landfill and technical services

The performance obligation is satisfied at the point in time when promised service is rendered to a customer, and payment in advance for waste collection is normally required and payment for landfill and technical services is generally due within 50 days as the term of agreements.

Recycling

The performance obligation is satisfied at the point in time when a promised good or service is transferred to a customer and payment is generally due within 50 days upon the transfer.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	**2,505,233**
More than one year	**13,639,489**
	16,144,722

The remaining performance obligations expected to be recognised within one year mainly relate to construction services. All the other remaining performance obligations are expected to be recognised more than one year mainly relate to operation services to be satisfied during the operation period according to service concession arrangements. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2018 *RMB'000*	2017 *RMB'000*
Other income and gains		
Bank interest income	4,662	3,399
Other interest income	37,603	9,935
Dividend income from financial assets at fair value through other comprehensive income	94	—
Dividend income from available-for-sale investments	—	1,111
Gain on de-registration of a subsidiary	2,411	—
Gain on disposal of investment in an associate	10,103	—
Gain on disposal of items of property, plant and equipment	6,405	908
Government grants	21,227	1,876
Refund of written-off trade receivables	4,428	—
Reversal of impairment of trade receivables	1,091	—
Reversal of impairment of prepayments, other receivables and other assets	1,251	—
Foreign exchange gains	156	—
Others	3,173	762
	92,604	17,991

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018 *RMB'000*	2017 *RMB'000*
Cost of services rendered for service concession arrangements	**1,667,062**	741,056
Cost of services provided	**1,479,578**	1,555,853
Cost of inventories sold	**299,621**	191,050
Depreciation*	**221,139**	218,663
Amortisation*		
— Prepaid land lease payments	**1,599**	4,292
— Other intangible assets	**59,889**	56,265
Minimum lease payments under operating leases*	**86,156**	83,737
Auditor's remuneration		
— Audit services	**4,280**	3,345
— Non-audit services	**2,646**	1,915
Employee benefit expense (excluding directors' emoluments (note 8)):		
Wages and salaries	**264,197**	259,366
Pension scheme contributions	**26,166**	22,762
Foreign exchange differences, net	**19,114**	1,186
Impairment of prepayments, other receivables and other assets	**949**	2,420
Impairment of trade receivables	**2,649**	2,630
Gain on disposal of items of property, plant and equipment	**(6,405)**	(908)

* The depreciation, amortisation and minimum lease payments under operating leases for the year are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000*
Interest on bank and other borrowings	**261,765**	189,605
Interest on notes payable (note 33)	**34,765**	—
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time	**4,874**	5,712
Others	**8,788**	625
	310,192	195,942

8. DIRECTORS' EMOLUMENTS

The emoluments of directors for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Fees	**792**	780
Other emoluments:		
Salaries, allowances and benefits in kind	**3,645**	2,507
Pension scheme contributions	**—**	—
	3,645	2,507
	4,437	3,287

During the year, no payments were made by the Group to the directors of the Company as an inducement to join the Group or compensation for loss of office (2017: nil).

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Mr. Pao Ping Wing	**264**	260
Mr. Cheng Kai Tai, Allen	**264**	260
Ms. Chen Yee Wah	**264**	260
	792	780

8. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Executive directors and non-executive directors

2018	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Wu Lishun***	—	—	—	—	—
Mr. Cao Guoxian	—	2,181	—	—	2,181
Mr. Liu Yongzheng***	—	—	—	—	—
Ms. Zhang Meng	—	—	—	—	—
Ms. Hao Chunmei^	—	—	—	—	—
Mr. Cheng Jialin**	—	1,464	—	—	1,464
	—	3,645	—	—	3,645

2017	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Wu Lishun***	—	—	—	—	—
Mr. Cao Guoxian	—	1,456	—	—	1,456
Mr. Liu Yongzheng***	—	—	—	—	—
Ms. Zhang Meng	—	—	—	—	—
Mr. Cheng Jialin**	—	480	—	—	480
Mr. Yang Bin*	—	571	—	—	571
	—	2,507	—	—	2,507

* Mr. Yang Bin resigned as an executive director of the Company on 25 May 2017.

** Mr. Cheng Jialin was appointed as an executive director of the Company on 1 July 2017.

*** Mr. Wu Lishun and Mr. Liu Yongzheng resigned as executive directors of the Company on 20 April 2018.

^ Ms. Hao Chunmei was appointed as an executive director of the Company on 20 April 2018.

During the year ended 31 December 2018, 4 directors (2017: 3 directors) waived emoluments of RMB1,495,000, RMB670,000, RMB223,000 and RMB112,000 (2017: RMB2,024,000, RMB337,000, and RMB337,000), respectively.

9. FIVE HIGHEST PAID EMPLOYEES

In both years, none of the five highest paid employees were directors of the Company. Details of the emoluments for the year of the five (2017: five) highest paid employees are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Salaries, allowances and benefits in kind	9,397	9,238
Performance related bonuses	10,121	3,749
Pension scheme contributions	586	411
	20,104	13,398

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

	Number of employees	
	2018	2017
HK$1,500,001 to HK$2,000,000	—	2
HK$2,500,001 to HK$3,000,000	—	2
HK$3,000,001 to HK$3,500,000	1	—
HK$3,500,001 to HK$4,000,000	2	—
HK$4,000,001 to HK$4,500,000	1	—
HK$5,000,001 to HK$5,500,000	—	1
HK$9,000,001 to HK$9,500,000	1	—
	5	5

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Withholding Hong Kong profits tax was calculated at 10% (2017: 10%) on the interest income recognised by a subsidiary in Hong Kong from a subsidiary in New Zealand.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both years. Twenty-two (2017: Ten) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Sixteen (2017: Eight) were exempted from PRC income taxes whereas another three (2017: Two) were entitled to a preferential tax of 12.5% (2017: 7.5%) and another three (2017: nil) were entitled to preferential tax rates of 7.5%, 10% and 15%, respectively, for the year.

New Zealand profits tax has been provided at the rate of 28% (2017: 28%) on the estimated assessable profits arising in New Zealand during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

According to PRC tax regulations, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. At 31 December 2018, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2017: nil). In the opinion of the directors, it is not probable that the Group's PRC subsidiaries will distribute profits in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB352,418,000 (2017: RMB170,416,000).

	2018 *RMB'000*	2017 *RMB'000*
Current — Hong Kong		
Charge for the year	**25,047**	30,064
Current — the PRC		
Charge for the year	**22,631**	2,511
Underprovision in prior years	**1,470**	872
Current — New Zealand		
Charge for the year	**26,916**	33,909
Underprovision/(overprovision) in prior years	**1,838**	(3,461)
Deferred (note 35)	**53,721**	10,360
Total tax charge for the year	**131,623**	74,255

10. INCOME TAX *(Continued)*

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

2018	Hong Kong *RMB'000*	*%*	Mainland China *RMB'000*	*%*	New Zealand *RMB'000*	*%*	Total *RMB'000*	*%*
Profit before tax	**71,912**		**305,323**		**65,033**		**442,268**	
Tax at the statutory tax rate	**11,865**	**16.5**	**76,331**	**25.0**	**18,209**	**28.0**	**106,405**	**24.1**
Tax holiday or lower tax rates enacted by local authorities	**—**	**—**	**(16,506)**	**(5.4)**	**—**	**—**	**(16,506)**	**(3.7)**
Effect of withholding tax at 10% on the interest income from the Group's New Zealand subsidiaries	**25,047**	**34.8**	**—**	**—**	**—**	**—**	**25,047**	**5.7**
Expenses not deductible for tax	**23,392**	**32.5**	**5,932**	**1.9**	**13,008**	**20.0**	**42,332**	**9.6**
Income not subject to tax	**(50,982)**	**(70.9)**	**(7,010)**	**(2.3)**	**—**	**—**	**(57,992)**	**(13.1)**
Utilisation of tax losses not recognised in prior years	**—**	**—**	**(2,201)**	**(0.7)**	**—**	**—**	**(2,201)**	**(0.5)**
Profit attributable to joint ventures and associates*	**—**	**—**	**(3,284)**	**(1.1)**	**(11,004)**	**(16.9)**	**(14,288)**	**(3.2)**
Tax losses not recognised	**15,725**	**21.9**	**29,793**	**9.8**	**—**	**—**	**45,518**	**10.3**
Underprovision in prior years	**—**	**—**	**1,470**	**0.5**	**1,838**	**2.8**	**3,308**	**0.7**
Tax charge at the Group's effective rate	**25,047**	**34.8**	**84,525**	**27.7**	**22,051**	**33.9**	**131,623**	**29.8**
2017								
Profit before tax	134,277		88,956		124,741		347,974	
Tax at the statutory tax rate	22,156	16.5	22,239	25.0	34,928	28.0	79,323	22.8
Tax holiday or lower tax rates enacted by local authorities	—	—	(15,276)	(17.2)	—	—	(15,276)	(4.4)
Effect of withholding tax at 10% on the interest income from the Group's New Zealand subsidiaries	30,064	22.4	—	—	—	—	30,064	8.6
Expenses not deductible for tax	22,895	17.1	10,749	12.1	355	0.3	33,999	9.8
Income not subject to tax	(47,793)	(35.6)	(585)	(0.7)	(2,041)	(1.6)	(50,419)	(14.5)
Utilisation of tax losses not recognised in prior years	—	—	(495)	(0.6)	—	—	(495)	(0.1)
Profit attributable to joint ventures and associates*	—	—	(1,564)	(1.8)	(15,720)	(12.6)	(17,284)	(5.0)
Tax losses not recognised	2,742	2.0	14,190	16.0	—	—	16,932	4.9
Overprovision/underprovision in prior years	—	—	872	1.0	(3,461)	(2.8)	(2,589)	(0.7)
Tax charge at the Group's effective rate	30,064	22.4	30,130	33.9	14,061	11.3	74,255	21.3

* The share of tax attributable to joint ventures and associates amounting to RMB19,661,000 (2017: RMB23,918,000) is included in "Share of profits of joint ventures" and "Share of profits of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

No dividend was paid or proposed by the Company during 2018, nor has any dividend been proposed by the Company since the end of the reporting period (2017: nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (2017: 14,294,733,167) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculation of basic earnings per share is based on:

	2018 ***RMB'000***	2017 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**182,733**	148,342

	Number of shares	
	2018	2017
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**14,294,733,167**	14,294,733,167

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Landfill development RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018								
At 31 December 2017 and at 1 January 2018								
Cost	**168,839**	**442,941**	**179,574**	**746,602**	**472,696**	**53,473**	**354,627**	**2,418,752**
Accumulated depreciation	**—**	**(124,569)**	**(46,811)**	**(286,161)**	**(161,705)**	**(9,424)**	**—**	**(628,670)**
Net carrying amount	**168,839**	**318,372**	**132,763**	**460,441**	**310,991**	**44,049**	**354,627**	**1,790,082**
At 1 January 2018, net of accumulated depreciation	**168,839**	**318,372**	**132,763**	**460,441**	**310,991**	**44,049**	**354,627**	**1,790,082**
Additions	**—**	**12,945**	**1,894**	**16,100**	**4,145**	**91**	**398,880**	**434,055**
Disposals	**—**	**—**	**(428)**	**(352)**	**(4,848)**	**—**	**—**	**(5,628)**
Acquisition of subsidiaries (note 39)	**—**	**—**	**340**	**233**	**1**	**—**	**10,070**	**10,644**
Depreciation provided during the year	**—**	**(44,086)**	**(12,595)**	**(96,834)**	**(62,169)**	**(5,455)**	**—**	**(221,139)**
Transfers	**—**	**29,646**	**1,449**	**119,535**	**83,713**	**12,602**	**(246,945)**	**—**
Exchange realignment	**(78)**	**(158)**	**(101)**	**64**	**58**	**46**	**50**	**(119)**
At 31 December 2018, net of accumulated depreciation	**168,761**	**316,719**	**123,322**	**499,187**	**331,891**	**51,333**	**516,682**	**2,007,895**
At 31 December 2018:								
Cost	**168,761**	**485,712**	**179,371**	**853,223**	**553,662**	**69,084**	**516,682**	**2,826,495**
Accumulated depreciation	**—**	**(168,993)**	**(56,049)**	**(354,036)**	**(221,771)**	**(17,751)**	**—**	**(818,600)**
Net carrying amount	**168,761**	**316,719**	**123,322**	**499,187**	**331,891**	**51,333**	**516,682**	**2,007,895**
31 December 2017								
At 31 December 2016 and at 1 January 2017:								
Cost	159,329	413,395	192,378	700,898	392,103	46,268	331,417	2,235,788
Accumulated depreciation	—	(95,841)	(29,351)	(234,080)	(130,888)	(11,307)	—	(501,467)
Net carrying amount	159,329	317,554	163,027	466,818	261,215	34,961	331,417	1,734,321
At 1 January 2017, net of accumulated depreciation	159,329	317,554	163,027	466,818	261,215	34,961	331,417	1,734,321
Additions	—	23,197	283	6,445	7,869	548	412,692	451,034
Disposals	—	—	(9)	(1,543)	(235)	(1,581)	—	(3,368)
Depreciation provided during the year	—	(35,286)	(18,887)	(97,873)	(62,608)	(4,009)	—	(218,663)
Transfers	18,855	30,793	(7,547)	111,240	120,692	16,386	(374,568)	(84,149)
Exchange realignment	(9,345)	(17,886)	(4,104)	(24,646)	(15,942)	(2,256)	(14,914)	(89,093)
At 31 December 2017, net of accumulated depreciation	168,839	318,372	132,763	460,441	310,991	44,049	354,627	1,790,082
At 31 December 2017:								
Cost	168,839	442,941	179,574	746,602	472,696	53,473	354,627	2,418,752
Accumulated depreciation	—	(124,569)	(46,811)	(286,161)	(161,705)	(9,424)	—	(628,670)
Net carrying amount	168,839	318,372	132,763	460,441	310,991	44,049	354,627	1,790,082

The Group has pledged buildings with a net book value of RMB40,831,000 (2017: RMB38,199,000) to secure the borrowings granted to the Group.

14. PREPAID LAND LEASE PAYMENTS

	2018 *RMB'000*	2017 *RMB'000*
Carrying amount at 1 January	**50,575**	76,445
Acquisition of a subsidiary (note 39)	**4,058**	—
Addition	**27,404**	3,091
Transfer	**—**	(24,669)
Recognised during the year	**(1,599)**	(4,292)
Carrying amount at 31 December	**80,438**	50,575
Current portion	**(1,986)**	(948)
Non-current portion	**78,452**	49,627

The amounts represent land use rights located in the PRC and are released to profit or loss over the term of the relevant rights of 50 years. The Group has pledged prepaid lease payments with a net book value of RMB49,219,000 (2017: RMB44,271,000) to secure the borrowings granted to the Group.

15. GOODWILL

	RMB'000
At 1 January 2017:	
Cost	3,072,746
Accumulated impairment	(906,564)
Net carrying amount	2,166,182
Cost at 1 January 2017, net of accumulated impairment	2,166,182
Other decrease	(5,290)
Exchange realignment	(116,484)
At 31 December 2017	2,044,408
At 31 December 2017:	
Cost	2,950,972
Accumulated impairment	(906,564)
Net carrying amount	2,044,408
Cost at 1 January 2018, net of accumulated impairment	**2,044,408**
Acquisition of a subsidiary (note 39)	**6,766**
Exchange realignment	**(926)**
Cost and net carrying amount at 31 December 2018	**2,050,248**
At 31 December 2018:	
Cost	**2,956,812**
Accumulated impairment	**(906,564)**
Net carrying amount	**2,050,248**

15. GOODWILL *(Continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- BCG NZ Group, which principally engages in the waste treatment and waste-to-energy business in New Zealand;

- Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司, "Zhejiang Zhuoshang"), which principally engages in the recycle and waste treatment business in Mainland China;

- Mianyang Lubo Lubricant Co., Ltd (綿陽路博潤滑油脂有限公司, "Mianyang Lubo"), which principally engages in the hazardous waste treatment business in Mainland China.

BCG NZ Group

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 9.08% (2017: 9.16%). The perpetual growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period is 2.5% (2017: 2.5%).

Zhejiang Zhuoshang

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the service concession period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 12.5% (2017: 12.5%).

Mianyang Lubo

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 17.5%. The perpetual growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period is 2.83%.

Sensitivity analysis on key assumptions was performed annually. In the opinion of the Company's directors, the Group is not aware of any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2018	2017
	RMB'000	*RMB'000*
BCG NZ Group	**2,037,427**	2,038,353
Zhejiang Zhuoshang	**6,055**	6,055
Mianyang Lubo	**6,766**	—
	2,050,248	2,044,408

Assumptions were used in the value in use calculation of the cash-generating units for 31 December 2018 and 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Future revenue growth rates — In respect of the revenue of BCG NZ, the future revenue growth rates are based on the projected volume and unit price of waste treatment in New Zealand, taking into consideration of pricing policy change. In respect of the revenue of Zhejiang Zhuoshang, the future revenue growth rates are based on the projected volume and unit price of waste treatment service as stipulated in the service concession arrangement. In respect of the revenue of Mianyang Lubo, the future revenue growth rates are based on the projected volume and unit price of waste treatment service, taking into consideration the processing capacity.

Operating margins — The basis used to determine the value of the operating margins is the average gross margins achieved in the year immediately before the budget year.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Perpetual growth rates — The Group determines the perpetual growth rates which shall not exceed the long-term average gross growth rates of the relevant markets in New Zealand and Mainland China.

The values assigned to the key assumptions on future revenue growth rates, operating margins, discount rates and perpetual growth rates are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	Customer contracts	Service concession arrangements	Licenses and franchises	Trade names and trademarks	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018						
Cost at 31 December 2017, net of accumulated amortisation	**118,324**	**535,330**	**501,509**	**722,357**	**28,655**	**1,906,175**
Adjustment on adoption of HKFRS 15 (note 2)	**—**	**(361,846)**	**—**	**—**	**—**	**(361,846)**
Cost at 1 January 2018, net of accumulated amortisation	**118,324**	**173,484**	**501,509**	**722,357**	**28,655**	**1,544,329**
Additions	**—**	**—**	**—**	**—**	**66,729**	**66,729**
Transfer from contract assets	**—**	**516,772**	**—**	**—**	**—**	**516,772**
Acquisition of subsidiaries (note 39)	**—**	**19,555**	**—**	**—**	**—**	**19,555**
Amortisation provided during the year	**(11,041)**	**(9,940)**	**(32,458)**	**—**	**(6,450)**	**(59,889)**
Exchange realignment	**(152)**	**(29)**	**(497)**	**(328)**	**524**	**(482)**
At 31 December 2018	**107,131**	**699,842**	**468,554**	**722,029**	**89,458**	**2,087,014**
At 31 December 2018:						
Cost	**154,647**	**715,071**	**611,473**	**722,029**	**102,262**	**2,305,482**
Accumulated amortisation	**(47,516)**	**(15,229)**	**(142,919)**	**—**	**(12,804)**	**(218,468)**
Net carrying amount	**107,131**	**699,842**	**468,554**	**722,029**	**89,458**	**2,087,014**
31 December 2017						
Cost at 1 January 2017, net of accumulated amortisation	136,864	153,448	567,880	763,609	13,811	1,635,612
Additions	—	384,169	—	—	20,950	405,119
Amortisation provided during the year	(11,599)	(2,118)	(37,807)	—	(4,741)	(56,265)
Exchange realignment	(6,941)	(169)	(28,564)	(41,252)	(1,365)	(78,291)
At 31 December 2017	118,324	535,330	501,509	722,357	28,655	1,906,175
At 31 December 2017:						
Cost	154,717	540,609	639,576	722,357	34,955	2,092,214
Accumulated amortisation	(36,393)	(5,279)	(138,067)	—	(6,300)	(186,039)
Net carrying amount	118,324	535,330	501,509	722,357	28,655	1,906,175

16. OTHER INTANGIBLE ASSETS *(Continued)*

As at 31 December 2018, the major terms of the Group's significant intangible assets in relation to service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Electricity generation	Status	Balance as at 31 December 2018 RMB'000	Balance as at 1 January 2018 RMB'000
Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司)	Xiaoshan Kitchen Waste Treatment Plant (蕭山廚餘垃圾處理廠)	Hangzhou, Zhejiang	Xiaoshan District's Administration of Hangzhou City (杭州市蕭山區城區管理局)	30 years after obtaining the approval for operation	400 tonnes	N/A	Operating	179,326	—
Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited (高安意高再生資源熱力發電有限公司)	Gaoan Solid Waste Incineration Power Generation Plant (高安市垃圾焚燒發電廠)	Gaoan, Jiangxi	Gaoan People's Government (高安市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	Operating	172,023	—
Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司)	Yangzhou Kitchen Waste Treatment Plant (揚州廚餘垃圾處理廠)	Yangzhou, Jiangsu	Yangzhou City Administration (揚州市城市管理局)	28 years after obtaining the approval for operation	200 tonnes	N/A	Operating	163,885	171,672
Duyun Capital Environment Company Limited (都匀市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都匀市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都匀市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	N/A	Operating	111,916	—
Others								72,692	1,812
								699,842	173,484*

Note: Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited and Duyun Capital Environment Company Limited, as operators, were paid for their construction services partly by a financial asset and partly by an intangible asset. Therefore, concession financial assets were also recognised for both operators. Other subsidiaries listed above were paid for their services by an intangible asset.

* Here listed is the balance of other intangible assets in relation to service concession arrangements as at 1 January 2018 after adjustments for the adoption of HKFRS 15.

For the year ended 31 December 2018, additions in intangible assets arising from service concession arrangements of RMB516,772,000 mainly represented:

1) the rights for Zhejiang Zhuoshang and Jinzhong Capital Environment Resources Limited (晉中市首創環和環保能源有限公司) amounting to RMB179,326,000 and RMB21,598,000, respectively, to operate under service concession arrangements which are engaged in the treatment of kitchen waste;

2) the rights for Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited (高安意高再生資源熱力發電有限公司) and Duyun Capital Environment Company Limited (都匀市首創環保有限公司) amounting to RMB172,023,000 and RMB111,916,000, respectively, to operate under service concession arrangements which are engaged in the waste management and waste-to-energy business;

16. OTHER INTANGIBLE ASSETS *(Continued)*

3) the rights for Shicheng Capital Environment Limited (石城縣首創環保有限公司) amounting to RMB20,967,000 to operate under service concession arrangements which are engaged in waste collection and transportation;

4) the rights for Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司, "Shangrao Fengshun") amounting to RMB10,855,000 to operate under service concession arrangements which are engaged in waste collection and transportation.

The intangible assets arising from the service concession arrangements are amortised over the period which commences from the date when the related plants are available for use to end of the service concession period, using a straight-line method.

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements were collectively disclosed in note 21.

The breakdown of the intangible assets with indefinite useful lives is as follows:

	BCG NZ Group	
	2018	2017
	RMB'000	*RMB'000*
Licenses and franchises	**131,012**	131,072
Trade names and trademarks	**722,029**	722,357
	853,041	853,429

The trade name of "Waste Management" and other trademarks and licenses issued by local government in relation to operate various transfer stations in New Zealand are expected to be used for the foreseeable future. In opinion of the director of the Company, they are capable of being renewed indefinitely at insignificant cost and are classified as intangible assets with indefinite useful lives by the Group in accordance with HKAS 38 Intangible Assets.

For the purposes of impairment testing, the carrying amount of goodwill and the intangible assets with indefinite useful lives of BCG NZ Group is allocated to the individual cash-generating unit, i.e., BCG NZ Group. The key assumptions used in the impairment test of the intangible assets with indefinite useful lives are given in note 15.

17. INVESTMENTS IN JOINT VENTURES

	2018 *RMB'000*	2017 *RMB'000*
Share of net assets	**297,313**	300,482
Goodwill on acquisition	**161,789**	161,862
	459,102	462,344

The Group's receivable and payable balances with the joint ventures are disclosed in note 45 to the consolidated financial statements.

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place and date of incorporation	Percentage of ownership interest	Principal activities
Midwest Disposals Limited ("Midwest Disposals")	NZ$1,300,000	New Zealand 18 August 2000	50%	Waste management
Pikes Point Transfer Station Limited ("Pikes Point Transfer Station")	NZ$2,685,000	New Zealand 24 March 1993	50%	Waste transfer station
Transwaste Canterbury Limited ("Transwaste")	NZ$16,000,000	New Zealand 31 March 1999	50%	Waste collection and landfill
Daniels Sharpsmart New Zealand Limited	NZ$200	New Zealand 4 November 2002	50%	Component cleaning

Transwaste, which is considered a material joint venture of the Group, is accounted for using the equity method.

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information in respect of Transwaste adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**85,719**	101,508
Other current assets	**80,210**	77,447
Current assets	**165,929**	178,955
Non-current assets, excluding goodwill	**484,213**	504,614
Goodwill on acquisition of the joint venture	**120,426**	120,481
Current liabilities	**(156,729)**	(160,400)
Non-current liabilities	**(16,616)**	(21,826)
Net assets, excluding goodwill	**476,797**	501,343
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture, excluding goodwill	**238,399**	250,672
Goodwill on acquisition (less cumulative impairment)	**120,426**	120,481
Carrying amount of the investment	**358,825**	371,153

Financial information of the Group's share of the joint ventures is as follows:

	2018	2017
Revenue	**97,977**	135,637
Interest income	**1,567**	1,840
Depreciation and amortisation	**(16,387)**	(29,378)
Interest expenses	**(743)**	(708)
Tax	**(11,544)**	(20,742)
Profit for the year	**26,594**	45,308
Other comprehensive income	**(276)**	(14,126)
Dividend received	**38,646**	33,391

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2018	2017
	RMB'000	*RMB'000*
Share of the joint ventures' profit for the year	**12,705**	10,834
Share of the joint ventures' other comprehensive income	**954**	(2,787)
Share of the joint ventures' total comprehensive income	**13,659**	8,047
Aggregate carrying amount of the Group's investments in the joint ventures	**100,277**	91,191

18. INVESTMENT IN A JOINT OPERATION

Name	Place of incorporation	Ownership interest attributable to the Group as at 31 December 2018	31 December 2017	Principal activity
Waste Disposal Services	New Zealand	**50%**	50%	Waste collection and landfill

The Group has a 50% interest in Waste Disposal Services, an unincorporated joint operation with the Auckland City Council. According to the joint operation agreement, the Group accounts for its joint operation by including the share of revenues, expenses, assets and liabilities of Waste Disposal Services in its own financial statements. Waste Disposal Services operates a landfill and refuse station in South Auckland.

The Group's share of material assets and liabilities of Waste Disposal Services is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Current assets	**25,674**	17,749
Non-current assets	**90,373**	86,215
Total assets	**116,047**	103,964
Current liabilities	**(16,628)**	(2,958)
Non-current liabilities	**(34,197)**	(30,693)
Total liabilities	**(50,825)**	(33,651)
Net assets shared by the Group	**65,222**	70,313

	2018 *RMB'000*	2017 *RMB'000*
Share of the joint operation's revenue	**98,828**	40,386
Share of the joint operation's expenses	**(79,971)**	(24,995)
Share of the joint operation's profit before tax	**18,857**	15,391
Cash received	**20,581**	12,011

The Group's receivables due from and payables due to the other operator of Waste Disposal Services are disclosed in notes 25 and 29 to the consolidated financial statements.

19. INVESTMENTS IN ASSOCIATES

	2018 *RMB'000*	2017 *RMB'000*
Share of net assets	**104,667**	91,532

The loans from associates included in the Group's current liabilities was nil (2017: nil).

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Shenzhen Guangye Environmental Recycling Energy Limited (深圳廣業環保再生能源有限公司, "SZ Guangye") (Formerly known as Shenzhen Yueneng Environmental Recycling Energy Limited 深圳粵能環保再生能源有限公司)	RMB75,000,000	PRC/Mainland China	46	Waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis
Beijing Lanjie Lide Environment Holding Limited (北京藍潔利德環境科技有限公司 "Beijing Lanjie")	RMB1,760,000	PRC/Mainland China	29	Provision of waste transportation service

The investment in Changzhou Boiler Company Limited (常州鍋爐有限公司) was disposed at a consideration of RMB10,103,000 on 19 April 2018.

All the Group's shareholdings in the associates are held through the wholly-owned subsidiaries of the Company.

SZ Guangye, which is considered a material associate of the Group, is accounted for using the equity method.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information in respect of SZ Guangye adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2018	2017
	RMB'000	*RMB'000*
Current assets	**52,039**	40,484
Non-current assets, excluding goodwill	**281,506**	262,604
Current liabilities	**(92,338)**	(94,672)
Non-current liabilities	**(15,552)**	(11,620)
Net assets, excluding goodwill	**225,655**	196,796
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**46%**	46%
Group's share of net assets of the associate, excluding goodwill	**103,801**	90,526
Carrying amount of the investment	**103,801**	90,526

Financial information of the Group's share of the associates is as follows:

	2018	2017
Revenue	**39,355**	30,424
Profit for the year	**13,275**	6,933
Total comprehensive income for the year	**13,275**	6,933

The following table illustrates the financial information of the other associate that is not material:

	2018	2017
	RMB'000	*RMB'000*
Share of the associate's loss for the year	**(140)**	(678)
Share of the associate's total comprehensive income	**(140)**	(678)
Aggregate carrying amount of the Group's investment in the associate	**866**	1,006

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 RMB'000	2017 RMB'000
Listed securities, at fair value		
— equity securities listed in HK	**59,183**	—
Unlisted equity investments, at cost		
— Beijing Yiqing Biomax Green Energy Park Company Limited (北京市一清百瑪士綠色能源有限公司, "Beijing Yiqing")	**19,002**	—
	78,185	—

During the year ended 31 December 2018, the gross loss in respect of the Group's financial assets at fair value through other comprehensive income recognised in other comprehensive income amounted to RMB21,763,000.

Movement of financial assets at fair value through other comprehensive income in the current period is analysed as follows:

	RMB'000
At 31 December 2017	—
Adjustment on adoption of HKFRS 9 (note 2)	99,948
At 1 January 2018	**99,948**
Changes in fair value	**(21,763)**
At 31 December 2018	**78,185**

21. CONCESSION FINANCIAL ASSETS

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes as:		
Current assets	**302,362**	178,988
Non-current assets	**1,532,911**	1,864,989
	1,835,273	2,043,977

Concession financial assets represent costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC on a BOT, TOT or BOO basis, plus the attributable profits on the services provided.

21. CONCESSION FINANCIAL ASSETS *(Continued)*

The effective interest rates used in service concession arrangements ranged from 5.00% to 6.56% for the year ended 31 December 2018.

Service concession arrangements with certain government authorities in the PRC ("Grantor") require the Group to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods.

During the operation phase of the respective service concession periods, the Group will receive guaranteed waste treatment fees from the Grantor. In addition, for some service concession arrangements, the Group will receive fees arising from the electricity generated from waste treatment based on the guaranteed volumes after the commencement of the operation phase of the waste-to-energy plants.

The Group recognised revenue from construction services of RMB1,632,096,000 (2017: RMB753,254,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB230,231,000 (2017: RMB90,758,000) for all the service concession arrangements of the Group (note 5). The gross profits recognised from construction services amounted to RMB175,225,000 (2017: RMB79,876,000) and the gross profits recognised from operation services amounted to RMB89,664,000 (2017: RMB45,633,000) for all the service concession arrangements of the Group.

21. CONCESSION FINANCIAL ASSETS *(Continued)*

As at 31 December 2018, the major terms of the Group's significant concession financial assets are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Electricity generation	Status up to 31 December 2018	Balance as at 31 December 2018 *RMB'000*	Balance as at 1 January 2018 *RMB'000*
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant (南昌市垃圾焚燒發電廠)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2016 to September 2041 (25 years)	1,200 tonnes	131 million kWh	Operating	563,657	555,699
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都勻市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	Operating	355,658	—
Nanyang Capital Environment Technology Company Limited (南陽首創環境科技有限公司)	Garbage Collection, Transport and Processing Project for Xichuan, Xixia and Neixiang (淅川、西峽、內鄉三縣鄉鎮垃圾收集、轉運、處理項目)	Nanyang, Henan	Nanyang Housing and Urban-Rural Construction Commission (南陽市住房和城鄉建設委員會)	30 years after obtaining the approval for commercial operation	724 tonnes	N/A	Operating	256,807	233,778
Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited (高安意高再生資源熱力發電有限公司)	Gaoan Solid Waste Incineration Power Generation Plant (高安市垃圾焚燒發電廠)	Gaoan, Jiangxi	Gaoan People's Government (高安市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	Operating	133,417	—
Beijing Capital Environment Engineering Co., Ltd. (北京首創環境工程有限公司)	Yanqing Integrated Waste Treatment Project (延慶垃圾綜合處理項目)	Beijing	Beijing Yanqing Environment Service Center (北京市延慶區環境衛生服務中心)	February 2018 to February 2048 (30 years)	359 Tonnes	N/A	Operating	85,019	—
Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎岩生活垃圾處理有限公司)	Yingde Laohuyan Municipal Solid Waste Landfill Site (英德市老虎岩生活垃圾填埋場)	Yingde, Guangdong	Yingde City Administration (英德市規劃和城市綜合管理局)	25 years after obtaining the approval for commercial operation	600 tonnes	N/A	Operating	78,867	—
Huludao Kangte Jincheng Environment Management Company Limited (葫蘆島康達錦程環境治理有限公司)	Huludao Municipal Solid Waste Landfill Site (葫蘆島生活垃圾填埋場)	Huludao, Liaoning	Huludao Housing and Urban-Rural Construction Commission (葫蘆島市住房和城鄉建設委員會)	20 years after obtaining the approval for commercial operation	420 tonnes	N/A	Operating	70,257	67,408
Weng'an Kelin Environment Company Limited (甕安縣科林環保有限公司)	Weng'an Municipal Solid Waste Landfill Site (甕安縣生活垃圾填埋場)	Weng'an, Guizhou	Weng'an People's Government (甕安縣人民政府)	July 2015 to June 2045 (30 years)	150 tonnes	N/A	Operating	59,281	57,401
Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司)	Shangrao Municipal Solid Waste Landfill Site (上饒市生活垃圾填埋場)	Shangrao, Jiangxi	Shangrao City Construction Administration (上饒市建設局)	September 2006 to September 2029 (23 years)	1,130 tonnes	N/A	Operating	33,483	—
Jinzhong Capital Environment Resources Limited (晉中市首創環和環保能源有限公司)	Jinzhong Kitchen Waste Treatment Plant (晉中廚餘垃圾處理廠)	Jinzhong, Shanxi	Jinzhong City Administration (晉中市規劃和城市管理局)	August 2016 to August 2046 (30 years)	100 tonnes	N/A	Operating	28,764	—
Others*								170,063	185,958
								1,835,273	1,100,244**

* Others represent waste collection and transportation projects, incineration projects and kitchen waste concentration projects without significant concession financial assets.

** Here listed is the balance of concession financial assets in relation to service concession arrangements as at 1 January 2018 after adjustments for the adoption of HKFRS 15.

22. CONTRACT ASSETS

The Group entered into service concession arrangements with the Grantors in respect of the waste management and waste-to-energy business in the PRC. According to HKFRS 15, the receivables in relation to the construction service should be accounted as contract assets and will be transferred to concession financial assets or other intangible assets once the construction is completed.

	RMB'000
At 31 December 2017	—
Adjustment on adoption of HKFRS 15 (note 2)	1,305,579
At 1 January 2018	1,305,579
Arising from construction service	1,632,096
Arising from interest income recognition	34,648
Acquisition of subsidiaries (note 39)	121,334
Transfer to concesssion financial assets or other intangible assets	(960,754)
At 31 December 2018	2,132,903
Analysed for reporting purposes as:	
Current assets	107,225
Non-current assets	2,025,678
	2,132,903

Contract assets are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the grantor, the amounts recognised as contract assets are reclassified to concession financial assets or other intangible assets. The increase in contract assets in 2018 was the result of the increase in the process of construction services at the end of the year.

The expected timing of completion of construction for contract assets as at 31 December 2018 is as follows:

	RMB'000
Within one year	1,751,606
More than one year	381,297
Total contract assets	2,132,903

In the opinion of the Company's directors, there is no expected credit risk exposure loss as all of the contract assets are due to the Grantors, which are government authorities in the PRC with a high reputation and have never occurred credit risk exposure loss in history.

22. CONTRACT ASSETS *(continued)*

As at 31 December 2018, the major terms of the Group's significant contract assets are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Electricity generation	Status up to 31 December 2018	Balance as at 31 December 2018 *RMB'000*	Balance as at 1 January 2018 *RMB'000*
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)	Huizhou Municipal Solid Waste Incineration Power Generation Plant (惠州市生活垃圾焚燒發電廠)	Luzhouzhen, Huicheng, Huizhou	Huizhou Environmental and Hygiene Control Authority (惠州市市容環境衛生管理局)	March 2017 to March 2047 (30 years)	1,600 tonnes	161 million kWh	Under Construction	893,394	508,166
Ningbo Capital Environment Kitchen Waste Treatment Company Limited (寧波首創廚餘垃圾處理有限公司)	Ningbo World Bank Loan Kitchen Waste Treatment Plant (寧波市世行貸款廚餘垃圾處理廠)	Ningbo, Zhejiang	Ningbo City Administration (寧波市城市管理局)	20 years after obtaining the approval for commercial operation	800 tonnes	N/A	Under Construction	312,940	150,600
Beijing Shoujian Environment Protection Company Limited (北京首建環保有限責任公司)	Beijing Construction Waste Treatment Project (北京朝陽區建築廢棄物資源化項目)	Beijing	Beijing Environmental and Hygiene Control Authority (北京朝陽區市政市容管理委員會)	15 years after obtaining the approval for commercial operation	3,370 tonnes	N/A	Under Construction	270,642	—
Jiangxi Ruijin Ai Si Environmental Electric Limited (江西瑞金愛思環保電力有限公司)	Ruijin Solid Waste Incineration Power Generation Plant (瑞金市生活垃圾焚燒發電廠)	Ruijin, Jiangxi	Ruijin People's Government (瑞金市人民政府)	January 2018 to January 2048 (30 years)	800 tonnes	N/A	Under construction	138,054	29,398
Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司)	Yongji Solid Waste Incineration Power Generation Plant (永濟市生活垃圾焚燒發電廠)	Yongji, Shanxi	Yongji Housing and Urban-Rural Construction Commission (永濟市住房保障和城鄉建設管理局)	May 2014 to May 2044 (30 years)	500 tonnes	N/A	Under construction	136,576	—
Huainan Capital Environment Recovery Engineering Company Limited (淮南首創環境修復工程有限公司)	Huainan Waste Dump Site Project (淮南垃圾堆放點項目)	Huainan, Anhui	Huainan City Administration (淮南市城市管理行政執法局)	April 2018 to April 2028 (10 years)	10 sites	N/A	Under Construction	104,382	—
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都勻市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	Operating	—	259,256
Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited (高安意高再生資源熱力發電有限公司)	Gaoan Solid Waste Incineration Power Generation Plant (高安市垃圾焚燒發電廠)	Gaoan, Jiangxi	Gaoan People's Government (高安市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	Operating	—	164,018
Others								276,915	194,141
								2,132,903	1,305,579*

* Here listed is the balance of contract assets in relation to service concession arrangements as at 1 January 2018 after adjustments for the adoption of HKFRS 15.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2018 RMB'000	2017 RMB'000
Advances to suppliers		**223,927**	74,845
Deposits for acquisitions	(a)	**5,000**	30,500
Value added tax receivables		**215,919**	92,288
Loans receivable	(b)	**25,733**	31,262
Prepayments for emission units		**28,304**	41,129
Advance payment to Urban Construction Design & Research Institute (城市建設研究院, "Urban Construction Institute")	(c)	**40,050**	40,050
Tender deposits		**83,609**	74,048
Others		**17,786**	13,144
		640,328	397,266
Analysed for reporting purposes as:			
Current assets		**526,731**	265,238
Non-current assets		**113,597**	132,028
		640,328	397,266

(a) Deposits for acquisitions

As at 31 December 2018, deposits of RMB5,000,000 were paid for one potential acquisition of equity interests in a company with BOT project.

(b) Loans receivable

Loans receivable represent (i) an amount of RMB15,262,000 (2017: RMB23,262,000) bearing interest at the PRC Benchmark Lending Rate per annum due from a related party of a former shareholder of Zhejiang Zhuoshang, which was acquired by the Group on 1 December 2015. According to the payment schedule, RMB8,000,000 is expected to be repaid in 2019 and therefore classified as current assets, and represent (ii) an amount of RMB10,471,000 (2017: nil) due from the former shareholder of Shangrao Fengshun.

(c) Advance payment to Urban Construction Design & Research Institute

The amount represents an advance payment to a third party supplier, Urban Construction Institute, with a carrying amount of RMB40,050,000 (2017: RMB40,050,000), net of an impairment loss of RMB89,600,000 (2017: RMB89,600,000).

There were disputes in relation to the advance payment between the Group and Urban Construction Institute. The Group submitted the first dispute with Urban Construction Institute to the Nanchang Arbitration Committee (南昌仲裁委員會) during the year ended 31 December 2012 and various appeals were made between the Group and Urban Construction Institute to the Nanchang Arbitration Committee and different law courts in the PRC.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

(c) Advance payment to Urban Construction Design & Research Institute *(continued)*

During the year ended 31 December 2013, the contract in relation to the advance payment was arbitrated as invalid. On 27 September 2018, the Supreme People's Court of the People's Republic of China made the judgement that the Group should compensate Urban Construction Institute for the contract cost incurred amounting to RMB31,671,000. However, the final judgement on the refund of the advance payment with the gross amount of RMB129,650,000 has not been made up to the date of this report.

Except for the advance payment to Urban Construction Institute mentioned above, the financial assets included in the above balances are neither past due nor impaired, and related to receivables for which there was no recent history of default.

24. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**16,057**	17,172
Contract cost	**7,140**	9,868
Finished goods	**26,068**	12,871
	49,265	39,911

25. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**859,682**	781,654
Impairment	**(5,546)**	(4,022)
	854,136	777,632

Trade receivables, which are non-interest-bearing, are recognised and carried at the original invoiced amount less any loss allowance. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

25. TRADE RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2018 *RMB'000*	2017 *RMB'000*
0 to 90 days	**428,552**	348,463
91 to 180 days	**84,353**	20,718
Over 180 days	**341,231**	408,451
	854,136	777,632

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 *RMB'000*	2017 *RMB'000*
At beginning of year	**4,022**	8,229
Effect of adoption of HKFRS 9	**—**	—
At beginning of year	**4,022**	8,229
Impairment losses recognised (note 6)	**2,649**	2,630
Amount written off as uncollectible	**(1,211)**	(6,734)
Exchange realignment	**86**	(103)
	5,546	4,022

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date under the simplified approach to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than three years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018, included in the Group's trade receivable balances were government dismantling tariffs provided by the PRC government for treatment of certain waste electric and electronic products with an aggregate carrying amount of approximately RMB384,216,000 (2017: RMB449,733,000). Included in the government dismantling tariffs are balances amounting to RMB300,442,000 (2017: RMB408,080,000) with ageing over 180 days. In the opinion of the directors of the Company, the expected credit losses are limited because the customers are government authorities and no actual loss incurred in the history.

25. TRADE RECEIVABLES *(continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018 *(continued)*

As at 31 December 2018, included in the Group's trade receivable balances were due from the PRC government in relation to the waste management service concession arrangments with an aggregate carrying amount of approximately RMB91,591,000 (2017: RMB15,405,000). All these trade receivables are within 180 days. In the opinion of the directors of the Company, the credit risk on these balances is limited because the customers are government authorities.

Except for the trade receivables in relation to the treatment of waste electric and electronic products and service rendered under the service concession arrangement mentioned above, the following table illustrates the credit risk exposure on the Group's remaining trade receivables:

			Past due		
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0.02%	0.12%	3.96%	11.09%	1.44%
Gross carrying amount (RMB'000)	285,009	37,506	19,273	42,087	383,875
Expected credit losses (RMB'000)	69	46	764	4,667	5,546

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the provision for impairment was a provision of RMB2,036,000 for individually impaired trade receivable with a carrying amount before provision of RMB2,395,000. The impairment was considered irrecoverable by management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after period end, the ongoing relationship with the Group and the ageing of these receivables.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	261,320
Less than 1 month past due	10,312
1 to 3 months past due	76,143
Over 3 months past due	410,379
	758,154

Except for the government dismantling tariffs, receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

25. TRADE RECEIVABLES *(continued)*

Included in the Group's trade receivable balances are amounts due from the Group's joint ventures of RMB9,084,000 (2017: RMB19,270,000) and an amount due from the other operator of Waste Disposal Services of RMB404,000 (2017: RMB793,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

26. AMOUNTS DUE FROM ASSOCIATES

During the year ended 31 December 2015, SZ Guangye entered into two agreements with the Group for loans amounting to RMB35,966,000. In 2016, SZ Guangye repaid RMB4,600,000 to the Group, and declared a dividend amounting to RMB7,775,000 to the Group. The dividend was not paid by SZ Guangye, and was recognised as a loan to the entity by the Group. The loans bear interest at the PRC Benchmark Lending Rate plus 20% per annum. The balance of RMB39,141,000 as at 31 December 2018 (2017: RMB39,141,000) represented the loans and interest receivables due from SZ Guangye.

During the year ended 31 December 2016, Beijing Lanjie entered into two agreements with the Group for (i) a loan of approximately RMB6,200,000 which is unsecured and bears interest at a fixed rate of 9% per annum; (ii) a loan of approximately RMB2,400,000 which is secured and bears interest at a fixed rate of 11% per annum. The balance as at 31 December 2018 represented the loans of RMB8,600,000 and interest payable of RMB135,000 in relation to the loans mentioned above.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 ***RMB'000***	2017 *RMB'000*
Cash and bank balances	**2,399,031**	896,790
Time deposits	**12,500**	12,500
	2,411,531	909,290
Less:		
Time deposits with original maturity of more than three months	**(2,500)**	(12,500)
Pledged for BOT and TOT projects	**(5,509)**	(4,000)
Cash and cash equivalents	**2,403,522**	892,790

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB955,562,000 (2017: RMB427,630,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

Pledged bank deposits represent the deposits required by the local governments for securing the progress of the BOT projects. The balances bear interest at interest rates which ranged from 2.10% to 2.25% per annum.

As at 31 December 2018, bank balances included time deposits of RMB2,500,000 (2017: RMB12,500,000) with maturity period over three months and bear interest at prevailing interest rates which ranged from 2.25% to 2.75% per annum.

28. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held-for-sale include vehicles, trucks and tankers, which are built for the purpose of waste management of BCG NZ and are sold to sub-contractors/owner-drivers operating on BCG NZ's behalf. These assets are expected to be sold within the next twelve months. At 31 December 2018, the Group classified these assets as held-for-sale assets with the disposal price of RMB23,168,000 at the carrying amount of RMB22,144,000 (2017: with the disposal price of RMB15,465,000 at the carrying amount of RMB9,541,000).

29. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
0 to 90 days	**538,048**	311,541
91 to 180 days	**146,628**	43,810
Over 180 days	**101,212**	49,804
	785,888	405,155

Included in the trade payables are amounts of RMB1,842,000 (2017: RMB126,000) and RMB2,242,000 (2017: RMB1,975,000) due to joint ventures and the other operator of Waste Disposal Services, respectively, with similar credit terms offered by them to their major customers.

The trade payables are non-interest-bearing and are normally settled within 1 to 3 months.

30. OTHER PAYABLES AND ACCRUALS

	Notes	2018 RMB'000	2017 RMB'000
Receipt in advance		—	95,569
Contract liabilities	(a)	100,980	—
Accrued purchases		124,463	151,062
Interest payables	(b)	126,759	11,704
Amounts due to vendors of			
Beijing Lanjie		1,500	1,500
Jiangxi Ruijin		7,000	7,000
Anhui Capital Environmental Technology Company Limited (安徽首創環境科技有限公司)		1,000	1,000
Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司, "Yongji Huaxinda")		6,040	—
Shangrao Fengshun		10,682	—
Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎岩生活垃圾處理有限公司, "Yingde Laohuyan")		1,500	—
Loan from a non-controlling shareholder of a subsidiary	(c)	10,535	—
Accrued professional fee		12,594	5,050
Other tax payable		58,500	40,537
Accrued payroll and severance payment		51,633	65,089
Others		13,506	10,982
		526,692	389,493

Notes:

(a) Contract liabilities mainly include short-term advances received to render the waste collection service in New Zealand.

(b) The amounts mainly represent the interest payable by BCG NZ to Chinastar in relation to the other borrowing amounting to NZ$570,000,000 and interest payable related to the notes payable.

(c) The amount represents the balance of a loan from the non-controlling shareholder of Yongji Huaxinda.

Other payables are non-interest-bearing and have no fixed terms of repayment.

31. DEFERRED INCOME

The Group received government subsidies for the capital expenditures and expansions on the waste treatment and waste-to-energy plants. The waste treatment plants and waste-to-energy plants were either under commercial run or still under construction as at 31 December 2018. These government subsidies were recognised as deferred income and would be amortised over the concession period upon the commencement of commercial operations of the plants.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank overdrafts — unsecured	6.00–8.00	On demand	40,822	—	—	—
Bank loans — secured	4.36–4.79	2019	50,000	4.79–5.66	2018	200,000
Bank loans — unsecured	5.22	2019	205,499	3.44–5.00	2018	202,344
Current portion of long term						
bank loans — secured	4.66–5.23	2019	332,898	4.66–5.23	2018	87,580
bank loans — unsecured	2.36–3.19	2019	619,591	4.66	2018	24,000
other loan — secured	4.75	2019	83,944	—	—	—
other loan — unsecured	—	—	—	5.00	2018	2,631,403
			1,332,754			3,145,327
Non-current						
Other secured bank loans	4.66–5.15	2021–2033	640,790	4.66–5.23	2019–2032	580,280
Other unsecured bank loans	3.19	2036	106,266	2.09–4.66	2019–2036	684,359
Other loan — secured	4.75–6.15	2020–2023	1,072,719	4.75	2020	236,735
Other loans — unsecured	1.20–5.50	2031	2,682,206	1.20	2031	52,000
			4,501,981			1,553,374
			5,834,735			4,698,701

	2018 *RMB'000*	2017 *RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	1,248,810	513,924
In the second year	137,437	919,710
In the third to fifth years, inclusive	391,352	223,378
Beyond five years	218,267	121,551
	1,995,866	1,778,563
Other borrowings repayable:		
Within one year	83,944	2,631,403
In the second year	72,719	—
In the third to fifth years, inclusive	3,630,206	236,735
Beyond five years	52,000	52,000
	3,838,869	2,920,138
	5,834,735	4,698,701

32. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(1) Bank loans of RMB683,300,000 as at 31 December 2018 (2017: RMB708,200,000) were guaranteed by a corporate guarantee of the Group.

(2) Bank loans of RMB96,388,000 as at 31 December 2018 (2017: RMB79,000,000) were secured by the service concession arrangement in Huizhou Guanghui Energy Co., Ltd. (惠州廣惠能源有限公司).

(3) A bank loan of RMB75,000,000 as at 31 December 2018 (2017: RMB80,000,000) was secured by the service concession arrangement in Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司).

(4) A bank loan of RMB22,080,000 as at 31 December 2018 (2017: RMB29,660,000) was guaranteed by a corporate guarantee of a subsidiary of Beijing Capital Group.

(5) A bank loan of RMB35,000,000 as at 31 December 2018 (2017: RMB50,000,000) was secured by the prepaid land lease payments and buildings with a carrying amount of RMB66,866,000 (2017: RMB82,470,000).

(6) A bank loan of RMB96,920,000 as at 31 December 2018 (2017: nil) was guaranteed by a corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd (北京建工集團有限責任公司).

(7) A bank loan of RMB15,000,000 as at 31 December 2018 (2017: nil) was guaranteed by a corporate guarantee of the Group, and was secured by the prepaid land lease payments and buildings with a carrying amount of RMB23,184,000.

(8) Other loan of RMB1,000,000,000 from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) as at 31 December 2018 (2017: nil) was guaranteed by a corporate guarantee of Beijing Capital Group.

(9) Other loan of RMB156,663,000 from Beijing Guozi Financial leasing Co., Ltd. (北京國資融資租賃股份有限公司) as at 31 December 2018 (2017: RMB236,735,000) was secured by the service concession arrangement in Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司).

Included in bank borrowings is a loan of Hong Kong dollars ("HK$") 700,000,000 from Bank of China (Hong Kong) Limited which bears interest at 1.35% per annum over the Hong Kong Interbank Offer Rate, with keepwell provided by Beijing Capital Group.

Included in other borrowings is a loan of NZ$570,000,000 (equivalent to approximately RMB2,630,206,000) from BCG Chinastar which is unsecured, interest-bearing at 5.5% per annum and has a maturity date on 31 May 2021.

As at 31 December 2018, the Group had undrawn borrowing facilities amounting to RMB1,020,875,000 (2017: RMB1,728,807,000).

As at 31 December 2018, the Group's bank and other loans of RMB3,928,527,000 were charged at fixed interest rates while those of RMB1,906,208,000 were charged at floating interest rates based on the benchmark interest rates announced by the People's Bank of China. The carrying amounts of the Group's borrowings approximate to their fair values.

33. NOTES PAYABLE

On 11 September 2018 and 18 October 2018, the Group issued overseas notes in an aggregate principal amount of US$250 million (equivalent to RMB1,715,800,000) and US$50 million (equivalent to RMB343,160,000) with total discount of US$896,000 (equivalent to RMB6,147,000), respectively. These two tranches of notes form a single series which is listed on the Stock Exchange of Hong Kong Limited. The net proceeds after deducting the transaction costs of RMB7,371,000 were RMB2,045,442,000. These notes bear interest from 11 September 2018 at 5.625% per annum payable semi-annually in arrears on 11 March and 11 September of each year, beginning 11 March 2019. Unless early redeemed, or purchased or cancelled, these notes will be redeemed at their principal amount on 10 September 2021.

33. NOTES PAYABLE *(continued)*

After initial recognition, these notes are subsequently measured at amortised cost, using the effective interest rate method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate. The interest expense calculated based on the effective interest rate was RMB34,765,000 which was included in finance costs in the consolidated statement of profit or loss.

The movements of notes payable during the year are as follows:

	2018 ***RMB'000***
Notes payable	**2,045,442**
Interest expenses on the notes	**34,765**
Exchange realignment	**51**
	2,080,258
Less: Interest to be paid within one year	**(33,532)**
Liabilities at 31 December 2018	**2,046,726**

34. PROVISIONS

	2018 ***RMB'000***	2017 *RMB'000*
At 1 January	**204,114**	188,083
Amounts utilised during the year	**(4,186)**	(1,665)
Reassessment of closure and post-closure provision	**12,945**	23,197
Effect of time value adjustment	**4,874**	5,712
Exchange realignment	**28**	(11,213)
At 31 December	**217,775**	204,114
Portion classified as current liabilities	**—**	—
Non-current portion	**217,775**	204,114

Provision is mostly made for the future costs of closing the Group's landfills in New Zealand at the end of their economic lives and for the associated post-closure costs, being the aftercare of the landfills for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item by item basis. The provision held, at the end of the reporting period, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining lives of the landfills is performed regularly.

35. DEFERRED TAX

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

	Property, plant and equipment RMB'000	Inventories RMB'000	Other intangible assets RMB'000	Service concession arrangements* RMB'000	Provisions RMB'000	Others RMB'000 (Note)	Total RMB'000
At 1 January 2017	(106,206)	2,455	(412,125)	(20,986)	60,276	40,252	(436,334)
(Charge)/credit to profit or loss	(4,449)	(1,750)	15,354	(29,656)	12,341	(2,200)	(10,360)
Exchange realignment	5,911	—	21,478	—	(3,739)	(654)	22,996
At 31 December 2017	(104,744)	705	(375,293)	(50,642)	68,878	37,398	(423,698)
(Charge)/credit to profit or loss	(6,319)	14	11,233	(69,295)	4,896	5,750	(53,721)
Acquisition of subsidiaries	—	—	(12,500)	(7,167)	—	—	(19,667)
Exchange realignment	(9)	—	272	—	13	(18)	258
At 31 December 2018	(111,072)	719	(376,288)	(127,104)	73,787	43,130	(496,828)

Note: Others included other payables and accruals, deferred income, tax losses recognised and the discounting impact of trade receivable.

* The deferred tax liabilities arising from "Service concession arrangements" were recognised on the taxable temporary difference between the revenue recognised under HK(IFRIC)-Int 12 and the revenue deemed taxable by relevant tax authorities.

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

	2018 ***RMB'000***	2017 *RMB'000*
Deferred tax assets	**6,063**	10,568
Deferred tax liabilities	**(502,891)**	(434,266)
	(496,828)	(423,698)

The Group has tax losses of RMB283,534,000 arising in Mainland China (2017: RMB221,143,838) that will expire in one to five years for offsetting against future taxable profits. The Group has tax losses of RMB219,339,000 (2017: RMB120,851,306) arising in Hong Kong which can be carried forward indefinitely.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will available against which the tax losses can be utilised.

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

36. ISSUED CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Authorised:		
30,000,000,000 (2017: 30,000,000,000) ordinary shares of HK$0.1 each	**3,000,000**	3,000,000

	2018 RMB'000	2017 RMB'000
Issued and fully paid:		
14,294,733,167 ordinary shares of HK$0.1 each	**1,188,219**	1,188,219

37. RESERVES

The amounts of the Group's statutory reserve and capital reserve and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 45 and 46 of the consolidated financial statements.

38. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
BCG NZ Group	**49%**	49%

	2018 RMB'000	2017 RMB'000
Profit for the year allocated to non-controlling interests:		
BCG NZ Group	**92,284**	113,637
Dividends paid to non-controlling interests of BCG NZ	**(16,807)**	(147,453)
Accumulated balances of non-controlling interests at the reporting date:		
BCG NZ Group	**1,100,815**	1,025,130

38. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following table illustrates the summarised financial information of BCG NZ Group. The amounts disclosed are before any inter-company eliminations:

	2018 **RMB'000**	2017 RMB'000
Revenue	**2,310,365**	2,318,799
Total expenses	**(2,122,030)**	(2,086,888)
Profit for the year	**188,335**	231,911
Total comprehensive income for the year	**188,763**	112,016
Current assets	**575,788**	417,817
Non-current assets	**5,581,541**	5,513,953
Current liabilities	**(686,600)**	(3,252,954)
Non-current liabilities	**(3,224,168)**	(586,716)
Net cash flows from operating activities	**397,266**	519,209
Net cash flows used in investing activities	**(304,929)**	(342,812)
Net cash flows used in financing activities	**(66,365)**	(197,896)
Net increase/(decrease) in cash and cash equivalents	**25,972**	(21,499)

39. BUSINESS COMBINATIONS

On 11 February 2018, Beijing Capital Environment Investment Limited (北京首創環境投資有限公司, "Capital Investment"), an indirectly wholly-owned subsidiary of the Company, acquired a 100% interest in Yingde Laohuyan from a third party. Yingde Laohuyan is engaged in municipal solid waste treatment. The consideration for the acquisition is RMB32,685,000.

On 13 February 2018, Capital Investment acquired a 100% interest in Shangrao Fengshun from a third party. Shangrao Fengshun is engaged in municipal solid waste treatment services. The consideration for the acquisition is RMB41,941,000.

On 22 May 2018, Capital Investment acquired a 55% interest in Mianyang Lubo from a third party. Mianyang Lubo is engaged in hazardous waste treatment services. The consideration for the acquisition is RMB32,390,000, which was paid during the year ended 31 December 2018.

On 12 June 2018, Capital Investment acquired an 80% interest in Yongji Huaxinda from a third party. Yongji Huaxinda is engaged in waste treatment and waste-to-energy generation services. The consideration for the acquisition is RMB60,409,000, with RMB9,500,000 paid on 25 August 2017 and RMB44,869,000 paid during the year ended 31 December 2018.

The Group has elected to measure the non-controlling interest in Mianyang Lubo and Yongji Huaxinda at the non-controlling interest's proportionate share of their identifiable net assets.

39. BUSINESS COMBINATIONS *(continued)*

Assets acquired and liabilities registered at the dates of acquisitions were as follows:

	Yingde Laohuyan *RMB'000*	Shangrao Fengshun *RMB'000*	Mianyang Lubo *RMB'000*	Yongji Huaxinda *RMB'000*	Total *RMB'000*
Property, plant and equipment	82	—	10,411	151	10,644
Prepaid lease payment	—	—	4,058	—	4,058
Concession financial assets	80,156	38,974	—	—	119,130
Other intangible assets	—	19,555	—	—	19,555
Contract assets	—	—	—	121,334	121,334
Prepayments, other receivables and other assets	3,739	11,579	19,117	951	35,386
Inventories	—	—	174	—	174
Trade receivables	4,295	6,219	—	—	10,514
Cash and cash equivalents	735	698	13,138	161	14,732
Trade payables	(1,103)	(3,209)	—	(174)	(4,486)
Other payables and accruals	(290)	(1,805)	(317)	(32,085)	(34,497)
Tax payables	—	(307)	—	—	(307)
Interest-bearing bank and other borrowings	(50,088)	(29,763)	—	—	(79,851)
Deferred tax liabilities	(4,841)	—	—	(14,826)	(19,667)
Total identifiable net assets at fair value	32,685	41,941	46,581	75,512	196,719
Non-controlling interests	—	—	(20,957)	(15,103)	(36,060)
Goodwill on acquisitions	—	—	6,766	—	6,766
Satisfied by:					
Cash	31,185	31,259	32,390	44,869	139,703
Cash consideration paid in the prior year	—	—	—	9,500	9,500
Cash consideration recorded in other payables	1,500	10,682	—	6,040	18,222
	32,685	41,941	32,390	60,409	167,425

The fair values of the trade receivables and other receivables as at the dates of acquisitions amounted to RMB10,514,000 and RMB35,386,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB10,514,000 and RMB37,586,000, respectively, of which other receivables of RMB2,200,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB280,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

39. BUSINESS COMBINATIONS *(continued)*

An analysis of the cash flows in respect of acquisitions were as follows:

	Yingde Laohuyan *RMB'000*	Shangrao Fengshun *RMB'000*	Mianyang Lubo *RMB'000*	Yongji Huaxinda *RMB'000*	Total *RMB'000*
Cash consideration	(31,185)	(31,259)	(32,390)	(44,869)	(139,703)
Cash and cash equivalents	735	698	13,138	161	14,732
Net outflow of cash and cash equivalents included in cash flows from investing activities	(30,450)	(30,561)	(19,252)	(44,708)	(124,971)
Transaction costs of the acquisition included in cash flows from operating activities	(60)	(50)	(90)	(80)	(280)
	(30,510)	(30,611)	(19,342)	(44,788)	(125,251)

Since the acquisition, these companies contributed RMB66,468,000 to the Group's revenue and losses of RMB184,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB4,653,449,000 and RMB310,072,000, respectively.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, additions of property, plant and equipment amounting to RMB12,945,000 (2017: RMB23,197,000) are due to the reassessment of closure and post-closure provision (note 34), which have no cash flow impact on the Group.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings *RMB'000*	Interest payables *RMB'000*
At 1 January 2018	4,698,701	11,704
Changes from financing cash flows	1,031,060	(210,196)
Increase arising from acquisition of subsidiaries (note 39)	79,851	—
Foreign exchange movement	25,123	663
Interest capitalised	—	14,396
Interest expense	—	310,192
At 31 December 2018	5,834,735	126,759

41. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Notes	2018 RMB'000	2017 RMB'000
Guarantees of banking facilities	(a)	—	1,895
Guarantees given to the government in connection with continuous operation of landfills	(b)	194,743	221,686
Guarantees given to the government in connection with fulfilling the waste collection contracts and the other activities	(b)	75,678	60,835
		270,421	284,416

Notes:

(a) The Group provided guarantees to a bank in respect of banking facilities granted to an associate. The bank facilities expired during the year ended 31 December 2018.

(b) Guarantees given under the agreements were entered into with the New Zealand government authorities on the continuous operation of the landfills or for meeting the required operational standards. The amounts of the guarantees were determined based on the terms of the agreements signed by the subsidiary of the Group in New Zealand and the New Zealand government authorities. In the opinion of the directors, the entity will fulfil its responsibilities in relation to the continuous operation of the landfills and meeting the required operational standards, therefore, there is low risk of the claims made against the Group under the guarantees.

42. PLEDGE OF ASSETS

The Group's buildings, prepaid land lease payments, concession rights and assets of service concession arrangements were partly pledged for bank facilities and borrowings, for details please refer to notes 13, 14 and 32, respectively.

43. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its premises and vehicles under operating lease arrangements. Leases are negotiated for terms ranging from one to nineteen years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	53,878	57,922
In the second to fifth years, inclusive	86,194	114,705
After five years	33,132	45,765
	173,204	218,392

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43 above, the Group had the following commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
— construction work under service concession arrangements	**1,512,863**	800,263
— property, plant and equipment	**283,324**	71,083
	1,796,187	871,346

45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions during the year of 2018:

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

The PRC subsidiaries of the Group operate in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). The immediate shareholders of the Company, Beijing Capital (HK) and BCG Chinastar, which are companies incorporated in Hong Kong with limited liability, are ultimately controlled by the PRC government. The ultimate parent of both immediate shareholders is Beijing Capital Group, which is controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

Beijing Capital Investment & Guarantee Co., Ltd., Beijing Agricultural Investment Commercial Factoring Company Limited and Beijing Agricultural Financial Leasing Company Limited are subsidiaries of Beijing Capital Group.

45. RELATED PARTY TRANSACTIONS *(continued)*

(a) The transactions and balances with government-related entities are listed below: (continued)

(i) Transactions with related parties within Beijing Capital Group:

Name of the related parties	**Nature of the transactions**	**2018** *RMB'000*	2017 *RMB'000*
Beijing Capital Investment & Guarantee Co., Ltd.	Guarantee charges*	**289**	839
Beijing Capital (HK)	Rental expenses**	**1,774**	1,798
BCG Chinastar	Interest expenses***	**137,986**	136,925
Beijing Capital Group	Guarantee charges^	**4,105**	—
Beijing Capital Group	Keepwell fee^^	**5,535**	—
Beijing Agricultural Investment Commercial Factoring Company Limited	Interest expenses^^^	**2,658**	—
Beijing Agricultural Investment Financial Leasing Company Limited	Interest expenses^^^	**2,943**	—

* The guarantee charges were related to a borrowing of a subsidiary of the Company and based on the rate of 1.2% per annum of the remaining principal amount.

** The rental expenses were charged in accordance with the relevant agreement.

*** The interest expenses were related to the loan of NZ$570,000,000 from BCG Chinastar.

^ The guarantee charges were related to a borrowing of a subsidiary of the Company and based on the rate of 0.6% per annum of the remaining principal amount.

^^ Beijing Capital Group provides the keepwell service for the loan of HK$700,000,000 from Bank of China (Hong Kong) and the keepwell fee is calculated based on the rate of 0.6% per annum of the loan.

Beijing Capital Group provides the keepwell service for the issued notes of US$300,000,000 and the keepwell fee is calculated based on the rate of 0.3% per annum.

^^^ The interest expenses were related to the loans from Beijing Agricultural Investment Commercial Factoring Company Limited and Beijing Agricultural Investment Financial Leasing Company Limited with a fixed interest rate of 5% per annum.

45. RELATED PARTY TRANSACTIONS *(continued)*

(a) The transactions and balances with government-related entities are listed below: (continued)

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

The Group recognised revenue from the construction services and operation services of RMB1,632,096,000 (2017: RMB753,254,000) and RMB230,231,000 (2017: RMB90,758,000), respectively, under service concession arrangements with the local governments in the PRC (see note 21). All the concession financial assets of the Group are due from the local governments in the PRC.

The advance payment to Urban Construction Institute as at 31 December 2018 and 2017 for the construction of infrastructure in service concession arrangements with a government-related entity, Urban Construction Institute, was disclosed in note 23.

Trade receivables of government dismantling tariffs in relation to the licenses and franchises for the treatment of certain waste electric and electronic products were RMB384,216,000 (2017: RMB449,733,000).

Trade receivables due from the local government in the PRC in relation to the waste management service concession arrangements were RMB91,591,000 (2017: RMB15,405,000).

Commitments with government-related entities were included in note 44.

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

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

45. RELATED PARTY TRANSACTIONS *(continued)*

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

	Notes	2018 RMB'000	2017 RMB'000
Sales to related parties:			
Transwaste	(i)	**103,466**	98,087
Pike Point Transfer Station	(i)	**12,308**	12,220
Burwood Resource Recovery Park Limited	(ii)	**10,924**	10,929
Midwest Disposals	(i)	**5,675**	6,085
Waste Disposal Services	(iii)	**4,246**	5,057
		136,619	132,378
Purchases from related parties:			
Transwaste	(i)	**33,295**	37,283
Midwest Disposals	(i)	**30,978**	29,695
Waste Disposal Services	(iii)	**16,885**	18,585
Pike Point Transfer Station	(i)	**16,446**	16,462
Daniels Sharpsmart New Zealand Limited	(i)	**4,003**	3,008
Burwood Resource Recovery Park Limited	(ii)	**147**	109
		101,754	105,142
Interest income from related parties:			
SZ Guangye	(iv)	**2,062**	1,964
Beijing Lanjie	(iv)	**802**	775
		2,864	2,739

Notes:

(i) The entity is a joint venture of the Group.

(ii) The entity is a subsidiary of the Group's joint venture.

(iii) The transactions are with the other operator of Waste Disposal Services.

(iv) The entity is an associate of the Group.

45. RELATED PARTY TRANSACTIONS *(continued)*

(c) The emoluments of key management personnel during the year is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Short-term benefits	16,179	10,748
Post-employment benefits	588	546
	16,767	11,294

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial assets at fair value through other comprehensive income	78,185	—	78,185
Concession financial assets	—	1,835,273	1,835,273
Trade receivables	—	854,136	854,136
Financial assets included in prepayments, other receivables and other assets	—	149,392	149,392
Amounts due from associates	—	47,876	47,876
Pledged deposits	—	5,509	5,509
Cash and cash equivalents	—	2,403,522	2,403,522
Time deposits	—	2,500	2,500
	78,185	5,298,208	5,376,393

46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Derivatives designated as hedging instruments *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	—	785,888	785,888
Financial liabilities included in other payables and accruals	—	289,479	289,479
Interest-bearing bank and other borrowings	—	5,834,735	5,834,735
Amount due to a related party	—	1,665	1,665
Notes payable	—	2,046,726	2,046,726
Derivative financial instruments	5,788	—	5,788
	5,788	8,958,493	8,964,281

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets

	Available-for-sale investments *RMB'000*	Loans and receivables *RMB'000*	Total *RMB'000*
Available-for-sale investments	95,041	—	95,041
Concession financial assets	—	2,043,977	2,043,977
Trade receivables	—	777,632	777,632
Financial assets included in prepayments, deposits and other receivables	—	145,360	145,360
Amounts due from associates	—	47,741	47,741
Pledged deposits	—	4,000	4,000
Cash and cash equivalents	—	892,790	892,790
Time deposits	—	12,500	12,500
	95,041	3,924,000	4,019,041

46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Derivatives designated as hedging instruments *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	—	405,155	405,155
Financial liabilities included in other payables and accruals	—	172,266	172,266
Interest-bearing bank and other borrowings	—	4,698,701	4,698,701
Amount due to a related party	—	1,376	1,376
Derivative financial instruments	1,727	—	1,727
	1,727	5,277,498	5,279,225

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
Equity investments designated at fair value through other comprehensive income	**59,183**	**—**	**19,002**	**78,185**

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets				
Available-for-sale investments	78,808	—	—	78,808

Liabilities measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
Financial liabilities				
Derivative financial instruments	**—**	**5,788**	**—**	**5,788**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial liabilities				
Derivative financial instruments	—	1,727	—	1,727

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise interest-bearing bank and other borrowings, notes payable, cash and cash equivalents, pledged deposits, and financial assets at fair value through other comprehensive income. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as concession financial assets, trade receivables, amounts due from associates, amounts due to the immediate shareholders, amount due to a related party, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the consolidated financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated profit before tax would have decreased/increased by approximately RMB19,062,000 for the year ended 31 December 2018 (2017: RMB17,630,000).

Foreign currency risk

Substantially all of the Group's sales and purchases are denominated in RMB and NZ$. The Group's certain bank balances are denominated in NZ$, HK$, US$ and Euro, certain expenses of the Group are denominated in currencies other than RMB.

The Group is mainly exposed to exchange fluctuations in NZ$, US$ and HK$ against RMB. The following table demonstrates the sensitivity as at 31 December 2018 and 2017 to a reasonably possible change in the NZ$, US$ and HK$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

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

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*RMB'000*	*RMB'000*
2018			
If RMB weakens against NZ$	**5**	**—**	**112,671**
If RMB strengthens against NZ$	**(5)**	**—**	**(112,671)**
If RMB weakens against US$	**5**	**—**	**62,535**
If RMB strengthens against US$	**(5)**	**—**	**(62,535)**
If RMB weakens against HK$	**5**	**(14,753)**	**—**
If RMB strengthens against HK$	**(5)**	**14,753**	**—**
2017			
If RMB weakens against NZ$	5	—	104,605
If RMB strengthens against NZ$	(5)	—	(104,605)
If RMB weakens against HK$	5	(8,749)	—
If RMB strengthens against HK$	(5)	8,749	—

* Excluding retained profits

Credit risk

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, time deposits, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through other comprehensive income and amounts due from associates, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

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

- the amounts of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 41.

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

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

Credit risk *(continued)*

The Group's concentration of credit risk by geographical location is mainly in the PRC and New Zealand which accounted for 56% and 44%, respectively (2017: 60% and 40%) of the total trade receivables as at 31 December 2018.

The Group has concentration of credit risk in concession financial assets and contract assets, and dismantling subsidy receivable included under trade receivables of RMB3,280,799,000 and RMB384,216,000, respectively (2017: RMB2,043,977,000 and RMB449,733,000, respectively) as at 31 December 2018, representing a guaranteed waste treatment fee to be received from thirty eight (2017: twenty five) grantors in service concession arrangements of waste treatment and waste-to-energy plants and treatment of waste and electronic products. The Group considers the risk is limited as the grantors are government authorities in the PRC with a high reputation.

The Group also has concentration of credit risk in the advance payment to Urban Construction Institute in the PRC which is subject to arbitration proceedings at the end of the reporting period as detailed in note 23. The estimated recoverable amount of the deposits of RMB40,050,000 (2017: RMB40,050,000) to Urban Construction Institute, net of impairment loss of RMB89,600,000 (2017: RMB89,600,000), is based on the best estimate of the management of the allowable expenses incurred by Urban Construction Institute with reference to the legal opinion provided by the independent lawyer. The Group considers that the credit risk on the deposit paid after impairment provided is limited (note 23).

As at 31 December 2018, included in the prepayments, other receivables and other assets were RMB223,927,000 (2017: RMB74,845,000) of advances to suppliers and RMB25,733,000 (2017: RMB31,262,000) of loans receivable mentioned in note 23. The Group considers that the credit risk on advances to suppliers and the loan receivable is limited as these counter parties are of good credit history.

The credit risk of amounts due from associates is limited because the associates are profit generating.

The credit risk on cash and cash equivalents, time deposits and pledged deposits are limited because the counterparties are reputable banks in the PRC, New Zealand and Hong Kong.

Liquidity risk

The Group monitors its risk to a shortage of funds to consider the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility through the use of bank and other borrowings and adequate unutilised banking facilities.

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

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2018

	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Trade payables	771,377	14,511	—	—	—	785,888
Financial liabilities included in other payables and accruals	245,522	43,957	—	—	—	289,479
Amount due to a related party	—	1,665	—	—	—	1,665
Notes payable	—	80,304	115,817	2,174,750	—	2,370,871
Derivative financial instruments	—	5,266	382	140	—	5,788
Interest-bearing bank and other borrowings	40,822	1,566,260	448,757	4,049,892	309,027	6,414,758
	1,057,721	1,711,963	564,956	6,224,782	309,027	9,868,449

2017

	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Trade payables	405,155	—	—	—	—	405,155
Financial liabilities included in other payables and accruals	172,266	—	—	—	—	172,266
Amount due to a related party	—	1,376	—	—	—	1,376
Financial guarantee contracts	1,895	—	—	—	—	1,895
Derivative financial instruments	—	1,727	—	—	—	1,727
Interest-bearing bank and other borrowings	—	3,262,889	1,188,674	271,198	190,143	4,912,904
	579,316	3,265,992	1,188,674	271,198	190,143	5,495,323

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan financing and additional capital from equity holders of the Company. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as all assumptions are taken with regard to future events, they are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through other comprehensive income (note 20) as at 31 December 2018. The Group's listed investments are listed on the Stock Exchange of Hong Kong Limited and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2018	**High/low 2018**	31 December 2017	High/low 2017
Hong Kong — Hang Seng Index	**25,845**	**33,484/24,540**	29,919	30,200/21,883

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investment at fair value through the comprehensive income/ the available-for-sale equity investments, the impact is deemed to be on the fair value reserve and the available-for-sale investment revaluation reserve, respectively.

	Carrying amount of equity investments *RMB'000*	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity*** *RMB'000*
2018			
Investments listed in:			
Hong Kong — Financial assets			
At fair value through other comprehensive income	**59,183**	**—**	**5,918**
2017			
Investments listed in:			
Hong Kong — Available-for-sale	78,808	—	7,881

* Excluding retained profits

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

Capital management

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

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

The capital structure of the Group consists of net debt, which includes interest-bearing bank and other borrowings and notes payable disclosed in note 32 and note 33, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

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

49. EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events that require adjustments to or disclosures in the consolidated financial statements.

50. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	38	47
Amounts due from subsidiaries	1,462,666	1,905,503
Investments in subsidiaries	2,897,845	1,369,459
Total non-current assets	4,360,549	3,275,009
CURRENT ASSETS		
Prepayments, other receivables and other assets	4,340	23
Bank balances and cash	1,318,098	388,916
Total current assets	1,322,438	388,939
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	613,340	—
Other payables and accruals	45,129	2,374
Total current liabilities	658,469	2,374
NET CURRENT ASSETS	663,969	386,565
NON-CURRENT LIABILITIES		
Notes payable	2,046,726	—
Interest-bearing bank and other borrowings	—	589,050
Total non-current liabilities	2,046,726	589,050
Net assets	2,977,792	3,072,524
CAPITAL AND RESERVES		
Share capital	1,188,219	1,188,219
Reserves (note)	1,789,573	1,884,305
Total equity	2,977,792	3,072,524

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

Note:

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

	Share premium *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2017	3,972,845	—	(2,066,115)	1,906,730
Loss for the year	—	—	(22,425)	(22,425)
Total comprehensive expense	—	—	(22,425)	(22,425)
At 31 December 2017	3,972,845	—	(2,088,540)	1,884,305
Loss for the year	—	—	(77,706)	(77,706)
Other comprehensive expense for the year	—	(17,026)	—	(17,026)
Total comprehensive expense	—	(17,026)	(77,706)	(94,732)
At 31 December 2018	3,972,845	(17,026)	(2,166,246)	1,789,573

52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 March 2019.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2014 *RMB'000* (Restated) (Note 1)	2015 *RMB'000* (Restated) (Note 1)	2016 *RMB'000*	2017 *RMB'000*	**2018** ***RMB'000***
RESULTS					
Revenue (continuing and discontinued operation)	1,820,402	2,639,432	2,707,882	3,495,166	**4,648,196**
Profit attributable to owners of the Company	42,184	157,825	43,848	148,342	**182,733**

	As at 31 December				
	2014 *RMB'000* (Restated) (Note 1 & 2)	2015 *RMB'000* (Restated) (Note 1 & 2)	2016 *RMB'000* (Restated) (Note 2 & 3)	2017 *RMB'000*	**2018** ***RMB'000***
ASSETS AND LIABILITIES					
Total assets	8,168,513	9,143,298	9,573,382	10,682,437	**14,886,033**
Total liabilities	(5,694,636)	(4,778,793)	(5,281,397)	(6,217,362)	**(10,082,115)**
	2,473,877	4,364,505	4,291,985	4,465,075	**4,803,918**
Equity attributable to owners of the Company	1,370,232	3,200,504	3,101,877	3,213,509	**3,362,362**
Non-controlling interests	1,103,645	1,164,001	1,190,108	1,251,566	**1,441,556**
	2,473,877	4,364,505	4,291,985	4,465,075	**4,803,918**

Notes:

1. The financial summary of the Group as at 31 December 2014 and 2015 have been restated to include the assets and liabilities of BCG NZ Investment Holding Limited ("BCG NZ") and its subsidiaries as if they were within the Group since 28 March 2014 and the results for the years ended 31 December 2014 and 2015 have also been restated to include the results of BCG NZ and its subsidiaries since BCG NZ and the Group were under common control by Beijing Capital Group from 28 March 2014. BCG NZ was acquired by the Group during the year ended 31 December 2016.

2. The financial summary of the Group as at 31 December 2014, 2015 and 2016 have been restated based on the IFRIC agenda decision which observed that the reason for not amortising an indefinite life intangible asset is not because there is no consumption of the future economic benefits embodied in the asset. Therefore, the determination of tax consequences of indefinite life intangible assets shall reflect the expected manner of recovery of the carrying amount of the assets either through use or through sale. The Group reassessed and determined that the carrying amount of the indefinite life intangible assets is to be recovered through use. The change in accounting policy had been applied retrospectively.

3. The financial summary of the Group as at 31 December 2016 has also been restated to reflect new information obtained about facts and circumstances that existed as of the acquisition date of Tirohia Landfill & Hamilton Organics. The acquisition was completed on 30 November 2016 and the purchase price allocation was completed during the measurement period.

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

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