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CAPITAL ENVIRONMENT HOLDINGS LIMITED
首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3989)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "Board") of Capital Environment Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000 (Restated) (Note 2)
Revenue	4&5	**2,707,882**	2,639,432
Cost of sales		**(1,912,556)**	(1,894,330)
Gross profit		**795,326**	745,102
Other income, gains and losses	6	**9,744**	85,908
Administrative expenses		**(485,665)**	(398,786)
Share of results of associates		**(13,018)**	7,099
Share of results of joint ventures		**64,685**	51,328
Finance costs	7	**(182,263)**	(150,454)
Profit before tax	8	**188,809**	340,197
Income tax expense	9	**(55,148)**	(42,203)
Profit for the year		**133,661**	297,994

	NOTE	**2016**	2015
		RMB'000	*RMB'000*
			(Restated)
			(Note 2)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation:			
Exchange difference arising during the year		**140,979**	(119,090)
Share of other comprehensive income (expense) of joint ventures during the year		**41,857**	(35,587)
Effective portion of changes in fair value of hedging instruments		**41**	89
Fair value (loss) gain on available-for-sale investments		**(23,649)**	4,803
Reclassification adjustment for cumulative gain upon disposal of available-for-sale investments		**(117)**	–
Other comprehensive income (expense) for the year (net of tax)		**159,111**	(149,785)
Total comprehensive income for the year		**292,772**	148,209
Profit for the year attributable to:			
Owners of the Company		**43,848**	157,825
Non-controlling interests		**89,813**	140,169
		133,661	297,994
Total comprehensive income attributable to:			
Owners of the Company		**113,349**	83,788
Non-controlling interests		**179,423**	64,421
		292,772	148,209
Earnings per share	*11*		
Basic		**RMB0.31 cent**	RMB1.29 cents
Diluted		**RMB0.31 cent**	RMB1.29 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		31 December		1 January
		2016	2015	2015
	NOTES	***RMB'000***	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
			(Note 2)	*(Note 2)*
Non-current assets				
Property, plant and equipment		**1,686,605**	1,303,279	1,341,357
Other intangible assets		**1,882,410**	1,692,462	1,753,570
Goodwill		**1,926,869**	1,717,662	1,804,295
Prepaid lease payments		**74,563**	73,440	55,297
Concession financial assets	*12*	**1,225,052**	968,031	1,064,137
Available-for-sale investments	*13*	**80,131**	86,487	–
Interests in associates		**85,277**	95,844	86,472
Investments in joint ventures		**472,958**	420,139	460,134
Deposits, prepayments and other receivables		**53,737**	59,410	5,043
Deposits paid for construction of infrastructure in service concession arrangements	*14*	**52,317**	52,830	81,326
Amounts due from associates		**8,600**	–	–
Deferred tax assets		**11,550**	9,616	–
		7,560,069	6,479,200	6,651,631
Current assets				
Inventories		**29,432**	35,962	29,816
Trade receivables	*15*	**644,401**	524,002	441,734
Deposits, prepayments and other receivables		**105,890**	77,204	50,580
Concession financial assets	*12*	**63,507**	44,198	58,156
Prepaid lease payments		**1,882**	1,673	990
Amounts due from associates		**39,141**	35,966	18,513
Amount due from an available-for-sale investee		**27,531**	–	–
Tax recoverable		**2,523**	14,409	–
Derivative financial instruments		**–**	107	–
Pledged bank deposits		**9,000**	–	17,662
Bank balances and cash		**770,954**	1,436,038	645,843
		1,694,261	2,169,559	1,263,294
Assets classified as held for sale	*16*	**10,985**	264,500	4,649
		1,705,246	2,434,059	1,267,943

	NOTES	31 December 2016 RMB'000	31 December 2015 RMB'000 (Restated) (Note 2)	1 January 2015 RMB'000 (Restated) (Note 2)
Current liabilities				
Trade payables	*17*	**236,827**	158,573	238,735
Other payables and accruals		**452,778**	428,982	501,653
Deferred income		**1,400**	1,400	756
Amounts due to shareholders of a subsidiary		**149,776**	137,769	147,620
Provisions		**800**	800	7,230
Unlisted warrants	*20*	**–**	–	63
Derivative financial instruments		**137**	–	399
Convertible bonds	*19*	**–**	–	50,939
Tax payable		**44,278**	44,197	50,959
Bank and other borrowings	*18*	**458,322**	384,410	3,579,530
		1,344,318	1,156,131	4,577,884
Liabilities associated with assets classified as held for sale	*16*	**–**	111,424	–
		1,344,318	1,267,555	4,577,884
Net current assets (liabilities)		**360,928**	1,166,504	(3,309,941)
Total assets less current liabilities		**7,920,997**	7,645,704	3,341,690
Non-current liabilities				
Deferred income		**40,870**	38,200	34,244
Bank and other borrowings	*18*	**3,257,333**	2,934,949	509,535
Provisions		**141,114**	110,668	110,712
Derivative financial instruments		**200**	–	–
Deferred tax liabilities		**189,495**	197,382	213,322
		3,629,012	3,281,199	867,813
		4,291,985	4,364,505	2,473,877
Capital and reserves				
Share capital		**1,188,219**	797,340	391,336
Reserves		**1,913,658**	2,403,164	978,896
Equity attributable to owners of the Company		**3,101,877**	3,200,504	1,370,232
Non-controlling interests		**1,190,108**	1,164,001	1,103,645
		4,291,985	4,364,505	2,473,877

Note:

1. GENERAL

The Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 July 2006.

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

The functional currency and the presentation currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates.

The presentation currency of the Company in prior years was Hong Kong Dollars ("HK$"). The directors of the Company considered that (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency could also reduce the impact of any fluctuations in the exchange rate of the HK$ against the RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group, enabling the shareholders of the Company to have a more accurate picture of the Group's financial performance. The change in presentation currency of the Company has been applied retrospectively in accordance with HKAS 8 *Accounting Policies, Change in Accounting Estimates, and Errors*, and the comparative figures as at 1 January 2015 and 31 December 2015 and for the year ended 31 December 2015 have been retranslated to RMB and restated accordingly.

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting.

In current year, the Group acquired 51% interests in BCG NZ Investment Holding Limited ("BCG NZ") together with its subsidiaries (the "Acquisition") from BCG Chinastar International Investment Limited ("BCG Chinastar") and Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)"), wholly-owned subsidiaries of the Group's ultimate controlling shareholder, Beijing Capital Group Co., Ltd ("Beijing Capital Group"), at a consideration of HK$1,816,630,000 (approximately RMB1,557,342,000) to be settled by the allotment and issue of 4,541,574,877 new shares of HK$0.10 each at an issue price of HK$0.40 per share to BCG Chinastar and Beijing Capital (HK) for the Acquisition. BCG NZ and its subsidiaries are engaged in waste treatment and waste-to-energy business in the New Zealand. The Acquisition was completed on 2 September 2016. At the date of completion, the fair value of the shares issued by the Company, determined based on the quoted market price on 2 September 2016 of HK$0.32 per share, amounted to HK$1,453,304,000 (approximately RMB1,250,814,000).

Since BCG NZ and the Group are under common control by Beijing Capital Group before and after the Acquisition, the Group has applied the principles of merger accounting with reference to Accounting Guideline 5 *Merger Accounting for Common Control Combinations* to the Acquisition issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the common control combination had been effected since 28 March 2014, the date when BCG NZ was incorporated by Beijing Capital Group and thereby the Group and BCG NZ first came made under common control of Beijing Capital Group.

The consolidated statements of financial position of the Group as at 1 January 2015 and 31 December 2015 have been restated to include the assets and liabilities of BCG NZ and its subsidiaries as if they were within the Group since 28 March 2014. The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 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.

The effects of the application of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 are as follows:

	For the year ended 31 December 2015 as previously reported *HK$'000*	For the year ended 31 December 2015 as restated for the change in presentation currency *(Note 1)* *RMB'000*	Adjustment for the Acquisition using merger accounting *RMB'000*	For the year ended 31 December 2015 as restated *RMB'000*
Revenue	838,138	679,730	1,959,702	2,639,432
Cost of sales	(674,129)	(546,719)	(1,347,611)	(1,894,330)
Other income, gains or losses	66,652	54,055	31,853	85,908
Administrative expenses	(119,048)	(96,548)	(302,238)	(398,786)
Share of results of associates	8,754	7,099	–	7,099
Share of results of joint ventures	–	–	51,328	51,328
Finance costs	(88,929)	(72,121)	(78,333)	(150,454)
Income tax credit (expense)	536	435	(42,638)	(42,203)
Profit for the year	31,974	25,931	272,063	297,994
Other comprehensive (expense) income				
Exchange difference arising during the year	(104,318)	–	(119,090)	(119,090)
Share of other comprehensive expense of joint ventures	–	–	(35,587)	(35,587)
Share of other comprehensive expense of an associate	(4,511)	–	–	–
Effective portion of changes in fair value of hedging instruments arising during the year	–	–	89	89
Fair value gain on available-for-sale investments	5,922	4,803	–	4,803
Other comprehensive (expense) income for the year (net of tax)	(102,907)	4,803	(154,588)	(149,785)
Total comprehensive (expense) income	(70,933)	30,734	117,475	148,209

	For the year ended 31 December 2015 as previously reported *HK$'000*	For the year ended 31 December 2015 as restated for the change in presentation currency *(Note 1)* *RMB'000*	Adjustment for the Acquisition using merger accounting *RMB'000*	For the year ended 31 December 2015 as restated *RMB'000*
Profit for the year attributable to:				
Owners of the Company	23,518	19,073	138,752	157,825
Non-controlling interests	8,456	6,858	133,311	140,169
	31,974	25,931	272,063	297,994
Total comprehensive (expense) income attributable to:				
Owners of the Company	(75,613)	23,876	59,912	83,788
Non-controlling interests	4,680	6,858	57,563	64,421
	(70,933)	30,734	117,475	148,209
Earnings per share				
Basis	HK0.30 cent	RMB0.16 cent	RMB1.13 cents	RMB1.29 cents
Diluted	HK0.30 cent	RMB0.16 cent	RMB1.13 cents	RMB1.29 cents

The effects of the application of merger accounting on the consolidated statements of financial position as at 1 January 2015 and 31 December 2015 are summarised below:

	As at 1 January 2015 as previously reported *HK$'000*	As at 1 January 2015 as restated for the change in presentation currency *(Note 1)* *RMB'000*	Adjustment for the Acquisition using merger accounting *RMB'000*	As at 1 January 2015 as restated *RMB'000*
Non-current assets				
Property, plant and equipment	118,084	94,467	1,246,890	1,341,357
Other intangible assets	360,210	288,168	1,465,402	1,753,570
Goodwill	13,810	11,048	1,793,247	1,804,295
Prepaid lease payments	69,121	55,297	–	55,297
Concession financial assets	1,330,171	1,064,137	–	1,064,137
Interests in associates	108,090	86,472	–	86,472
Interests in joint ventures	–	–	460,134	460,134
Deposits, prepayments and other receivables	4,375	3,500	1,543	5,043
Deposit paid for construction of infrastructure in service concession arrangements	101,658	81,326	–	81,326
Current assets				
Inventories	26,294	21,035	8,781	29,816
Trade receivables	217,656	174,125	267,609	441,734
Deposits, prepayments and other receivables	55,269	44,215	6,365	50,580
Concession financial assets	72,695	58,156	–	58,156
Prepaid lease payments	1,238	990	–	990
Amounts due from associates	23,141	18,513	–	18,513
Pledged bank deposits	22,077	17,662	–	17,662
Bank balances and cash	468,231	374,584	271,259	645,843
Assets classified as held for sale	–	–	4,649	4,649

	As at 1 January 2015 as previously reported HK$'000	As at 1 January 2015 as restated for the change in presentation currency *(Note 1)* RMB'000	Adjustment for the Acquisition using merger accounting RMB'000	As at 1 January 2015 as restated RMB'000
Current liabilities				
Trade payables	(132,297)	(105,838)	(132,897)	(238,735)
Other payables and accruals	(322,834)	(258,268)	(243,385)	(501,653)
Deferred income	(945)	(756)	–	(756)
Amounts due to shareholders of a subsidiary	–	–	(147,620)	(147,620)
Provisions	(9,038)	(7,230)	–	(7,230)
Unlisted warrants	(79)	(63)	–	(63)
Derivative financial instruments	–	–	(399)	(399)
Convertible bonds	(63,674)	(50,939)	–	(50,939)
Tax payable	(54,641)	(43,713)	(7,246)	(50,959)
Bank and other borrowings	(1,025,913)	(820,730)	(2,758,800)	(3,579,530)
Non-current liabilities				
Deferred income	(42,805)	(34,244)	–	(34,244)
Bank and other borrowings	(636,919)	(509,535)	–	(509,535)
Provisions	–	–	(110,712)	(110,712)
Deferred tax liabilities	(10,435)	(8,348)	(204,974)	(213,322)
Total net assets	692,540	554,031	1,919,846	2,473,877
Equity and reserves	488,889	391,110	979,122	1,370,232
Non-controlling interests	203,651	162,921	940,724	1,103,645
Total capital and reserves	692,540	554,031	1,919,846	2,473,877

	As at 31 December 2015 as previously reported HK$'000	As at 31 December 2015 as restated for the change in presentation currency *(Note 1)* RMB'000	Adjustment for the Acquisition using merger accounting RMB'000	As at 31 December 2015 as restated RMB'000
Non-current assets				
Property, plant and equipment	121,472	101,793	1,201,486	1,303,279
Other intangible assets	411,151	344,544	1,347,918	1,692,462
Goodwill	21,035	17,627	1,700,035	1,717,662
Prepaid lease payments	87,637	73,440	–	73,440
Concession financial assets	1,155,168	968,031	–	968,031
Available-for-sale investments	103,207	86,487	–	86,487
Interests in associates	114,372	95,844	–	95,844
Interests in joint ventures	–	–	420,139	420,139
Deposits, prepayments and other receivables	65,244	54,674	4,736	59,410
Deposit paid for construction of infrastructure in service concession arrangements	63,043	52,830	–	52,830
Deferred tax assets	11,475	9,616	–	9,616
Current assets				
Inventories	31,137	26,093	9,869	35,962
Trade receivables	317,560	266,115	257,887	524,002
Deposits, prepayments and other receivables	82,262	68,936	8,268	77,204
Concession financial assets	52,742	44,198	–	44,198
Prepaid lease payments	1,997	1,673	–	1,673
Amounts due from associates	42,919	35,966	–	35,966
Tax recoverables	–	–	14,409	14,409
Derivative financial instruments	–	–	107	107
Bank balances and cash	1,201,352	1,006,733	429,305	1,436,038
Assets classified as held for sale	308,037	258,135	6,365	264,500
Current liabilities				
Trade payables	(25,934)	(21,733)	(136,840)	(158,573)
Other payables and accruals	(145,176)	(121,658)	(307,324)	(428,982)
Deferred income	(1,671)	(1,400)	–	(1,400)
Amounts due to shareholders of a subsidiary	–	–	(137,769)	(137,769)
Provisions	(955)	(800)	–	(800)
Tax payable	(52,741)	(44,197)	–	(44,197)
Bank and other borrowings	(458,723)	(384,410)	–	(384,410)
Liabilities associated with assets classified as held for sales	(132,964)	(111,424)	–	(111,424)

	As at 31 December 2015 as previously reported *HK$'000*	As at 31 December 2015 as restated for the change in presentation currency *(Note 1)* *RMB'000*	Adjustment for the Acquisition using merger accounting *RMB'000*	As at 31 December 2015 as restated *RMB'000*
Non-current liabilities				
Deferred income	(45,585)	(38,200)	–	(38,200)
Bank and other borrowings	(479,452)	(401,780)	(2,533,169)	(2,934,949)
Provisions	–	–	(110,668)	(110,668)
Deferred tax liabilities	(21,664)	(18,154)	(179,228)	(197,382)
Total net assets	2,826,945	2,368,979	1,995,526	4,364,505
Equity and reserves	2,599,006	2,182,785	1,017,719	3,200,504
Non-controlling interests	227,939	186,194	977,807	1,164,001
Total capital and reserves	2,826,945	2,368,979	1,995,526	4,364,505

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in current year:

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*

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

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Hence, the grouping and ordering of certain notes has been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management and financial instruments was reordered. Other than the above presentation changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the Related Amendments*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

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

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

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

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). The directors of the Company anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing/operating cash flows respectively.

Under HKAS 17, the Group has prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB212,574,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

4. REVENUE

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Waste collection services	**1,354,932**	1,223,676
Waste landfill services	**390,189**	414,125
Waste recycling services	**122,097**	111,364
Electronic appliance dismantling services	**148,123**	235,982
Technical waste (liquid and hazardous) services	**227,418**	204,413
Sales of dismantled products	**133,265**	96,404
Construction service under service concession arrangements	**196,484**	203,526
Operation service under service concession arrangements	**26,311**	44,221
Effective interest income on concession financial assets	**70,592**	69,530
Others	**38,471**	36,191
	2,707,882	2,639,432

5. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers (the "CODM"), for the purposes of allocating resources to segments and assessing their performance are organised on the basis of the geographical locations of the businesses.

The Group has only one reportable segment, being the waste treatment and waste-to-energy business in the People's Republic of China (the "PRC") for the year ended 31 December 2015. Following the completion of the Acquisition under common control as detailed in Note 2, an additional segment has been identified and presented in these consolidated financial statements, comparative figures have been restated accordingly.

The Group's reportable segments are (a) waste treatment and waste-to-energy business in the PRC and (b) waste treatment and waste-to-energy business in the New Zealand.

The waste treatment and waste-to-energy business in the PRC and New Zealand include a number of operations in various location each of which is considered as a separate operating segment by the CODM, these individual operating segments have been aggregated into single operation segment respectively in the PRC and New Zealand taking into account the type of customers, the nature of services and, the regulatory environment.

For the year ended 31 December 2016

	Waste treatment and waste-to-energy business in the PRC	Waste treatment and waste-to-energy business in the New Zealand	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**606,712**	**2,101,170**	**2,707,882**
Cost of sales	**(503,316)**	**(1,409,240)**	**(1,912,556)**
Gross profit	**103,396**	**691,930**	**795,326**
Segment results	**(54,840)**	**265,426**	**210,586**
Unallocated other income, gains and losses			**618**
Unallocated administration expense			**(22,395)**
Profit before taxation			**188,809**

For the year ended 31 December 2015

	Waste treatment and waste-to-energy business in the PRC	Waste treatment and waste-to-energy business in the New Zealand	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Revenue	679,730	1,959,702	2,639,432
Cost of sales	(546,719)	(1,347,611)	(1,894,330)
Gross profit	133,011	612,091	745,102
Segment results	67,397	314,701	382,098
Unallocated other income, gains and losses			1,340
Unallocated administration expense			(21,501)
Unallocated finance costs			(21,740)
Profit before taxation			340,197

Segment result represents the (loss) profit earned by each segment without allocation of certain administration expense, other income, gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 December 2016

	Waste treatment and waste-to-energy business in the PRC	Waste treatment and waste-to-energy business in the New Zealand	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Segment assets	**3,370,545**	**5,729,466**	**9,100,011**
Unallocated assets			
– Bank balances and cash			**93,232**
– Available-for-sale investments			**63,898**
– Other unallocated corporate assets			**8,174**
Consolidated total assets			**9,265,315**
Liabilities			
Segment liabilities	**1,211,908**	**3,749,382**	**4,961,290**
Unallocated liabilities			
– Other unallocated corporate liabilities			**12,040**
Consolidated total liabilities			**4,973,330**

As at 31 December 2015

	Waste treatment and waste-to-energy business in the PRC	Waste treatment and waste-to-energy business in the New Zealand	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Segment assets	3,236,267	5,400,524	8,636,791
Unallocated assets			
– Bank balances and cash			184,593
– Available-for-sale investments			86,487
– Other unallocated corporate assets			5,388
Consolidated total assets			8,913,259
Liabilities			
Segment liabilities	1,137,119	3,404,998	4,542,117
Unallocated liabilities			
– Other unallocated corporate liabilities			6,637
Consolidated total liabilities			4,548,754

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments other than bank balances and cash, available-for-sale investments and other unallocated corporate assets (including primarily unallocated property, plant and equipment and deposits, prepayments and other receivables); and

– all liabilities are allocated to operating segments other than other unallocated corporate liabilities.

Other segment information

For the year ended 31 December 2016

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in the New Zealand *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss:				
Addition to non-current assets *(Note)*	**256,061**	**352,454**	**–**	**608,515**
Depreciation of property, plant and equipment	**14,905**	**187,036**	**24**	**201,965**
Amortisation of other intangible assets	**20,236**	**43,430**	**–**	**63,666**
Impairment loss on goodwill	**11,572**	**–**	**–**	**11,572**
Impairment loss recognised in respect of trade receivables	**–**	**1,771**	**–**	**1,771**
Impairment loss recognised on deposits, prepayments and other receivables	**5,200**	**–**	**–**	**5,200**
Reversal of impairment loss recognised in respect of amount due from an investee	**(1,869)**	**–**	**–**	**(1,869)**
Loss on disposal of property, plant and equipment	**97**	**526**	**–**	**623**
Interest income	**(12,287)**	**(3,929)**	**–**	**(16,216)**
Finance costs	**45,469**	**136,794**	**–**	**182,263**
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss:				
Loss on disposal of available-for-sale investments	**–**	**–**	**100**	**100**
Gain on disposal of a subsidiary	**(5,012)**	**–**	**–**	**(5,012)**
Interest income	**–**	**–**	**(153)**	**(153)**

* *For identification purposes only*

For the year ended 31 December 2015

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in the New Zealand *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss:				
Addition to non-current assets *(Note)*	101,087	283,151	–	384,238
Depreciation of property, plant and equipment	12,298	168,612	419	181,329
Amortisation of other intangible assets	20,029	39,806	223	60,058
Impairment loss recognised in respect of trade receivables	–	680	–	680
Impairment loss recognised in respect of deposits, prepayments and other receivables	14,819	–	–	14,819
Reversal of impairment loss recognised on deposits, prepayments and other receivables	(24,784)	–	–	(24,784)
Reversal of impairment loss recognised in respect of amount due from an investee	(22,192)	–	–	(22,192)
Gain (loss) on disposal of property, plant and equipment	964	(3,488)	–	(2,524)
Interest income	(24,850)	(8,091)	–	(32,941)
Finance cost	50,381	78,333	–	128,714
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss:				
Loss on disposal of available-for-sale investments	–	–	752	752
Interest income	–	–	(65)	(65)
Finance cost	–	–	21,740	(21,740)

Note: Non-current assets excluded financial instruments, goodwill and deferred tax assets.

Geographical information

The Group's operations are located in New Zealand and the PRC.

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

	Revenue from external customers		**Non-current assets**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
The PRC	**606,712**	679,730	**918,180**	750,285
Hong Kong	**–**	–	**64**	84
New Zealand	**2,101,170**	1,959,702	**5,328,042**	4,674,313
	2,707,882	2,639,432	**6,246,286**	5,424,682

Note: Non-current assets excluded financial instruments.

Information about major customers

The Group's main sources of incomes generated in the PRC are from the local government authorities while those generated in New Zealand are from local councils. The percentages of revenue generated from the PRC local government authorities and New Zealand local councils are 17% (2015: 21%) and 69% (2015: 66%) of the total revenue respectively. The amounts of revenue attributable to the PRC local government authorities and New Zealand local councils are RMB467,778,000 (2015: RMB567,343,000 (restated)) and RMB1,867,218,000 (2015: RMB1,749,165,000 (restated)) respectively.

6. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Bank interest income	**13,837**	31,278
Interest income on amount due from an associate	**2,532**	1,728
Total interest income	**16,369**	33,006
Gain on step acquisition *(Note 21)*	**–**	20,359
Gain on disposal of a subsidiary *(Note 22)*	**5,012**	–
(Loss) gain on disposal of property, plant and equipment	**(623)**	2,524
Impairment loss recognised in respect of trade receivables *(Note 15)*	**(1,771)**	(680)
Reversal of impairment loss recognised in respect of amount due from an investee *(Note a)*	**1,869**	22,192
Reversal of impairment loss recognised in respect of other receivables *(Note b)*	**–**	24,784
Impairment loss recognised in respect of deposits, prepayments and other receivables	**(5,200)**	(14,819)
Impairment loss on goodwill	**(11,572)**	–
Loss on disposal of available-for-sale investments	**(100)**	(752)
Others	**5,760**	(706)
	9,744	85,908

Notes:

a. In prior years, the directors of the Company made a full impairment loss on the amount due from 上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Company Limited*) ("SH Biomax GEP"), an available-for-sale investment of the Group. Given that SH Biomax GEP was under liquidation, the recovery of such an advance was considered to be remote.

During the year ended 31 December 2015, 上海市普陀區人民法院 (Shanghai Putuo District People's Court*) issued a ruling to liquidate SH Biomax GEP. Under the ruling, the remaining assets of SH Biomax GEP was realised to compensate the eligible creditors and the Group received RMB22,192,000 and RMB1,869,000 respectively, during the years ended 31 December 2015 and 2016, a reversal of impairment loss was therefore recognised in the profit and loss.

b. Included in the reversal of impairment loss recognised in respect of other receivables, amounting to approximately RMB19,967,000 were the amount recovered from a supplier, 常州聯合鍋爐容器有限公司 (Changzhou Lianhe Boiler Company Limited*) ("Changzhou Lianhe") which has been fully impaired in prior years. During the year ended 31 December 2015, 江蘇省常州市中級人民法院 (Changzhou City People's Court of Jiangsu Province*) has judged that Changzhou Lianhe should repay the amount to the Group and 24% equity interest of Changzhou Lianhe was transferred to the Group for settlement. Therefore, a reversal of impairment loss in respect of other receivables of approximately RMB19,967,000, representing the fair value of the 24% equity interest of Changzhou Lianhe was recognised in 2015.

* *For identification purposes only*

7. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Interests on:		
Bank borrowings	**46,086**	55,678
Convertible bonds	**–**	6,778
Other borrowing from BCG Chinastar	**131,786**	74,599
Bank and other charges	**900**	9,665
Increase in discounted amount of provisions arising from the passage of time	**3,491**	3,734
	182,263	150,454

8. PROFIT BEFORE TAX

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit before tax has been arrived at after charging:		
Directors' and chief executive's emoluments	**1,231**	3,575
Staff costs (excluding directors)		
– other staff costs	**232,168**	189,871
– retirement benefit scheme contribution	**20,901**	11,157
	253,069	201,028
Auditors' remuneration	**5,797**	4,801
Depreciation of property, plant and equipment	**201,965**	181,329
Amortisation of other intangible assets *(Note)*	**63,666**	60,058
Amortisation of prepaid lease payments	**2,239**	1,408

Note: During the year ended 31 December 2016, RMB63,666,000 and RMBnil (2015: RMB59,836,000 and RMB222,000) of amortisation of intangible assets were included in cost of sales and administrative expenses, respectively.

9. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Current income tax:		
Hong Kong	**31,811**	22,427
PRC	**112**	258
New Zealand	**48,965**	28,012
	80,888	50,697
(Over) under provision in prior years:		
New Zealand	**(443)**	9,465
Deferred tax	**(25,297)**	(17,959)
	55,148	42,203

New Zealand Profits Tax is calculated at 28% of the estimated assessable profit for both years.

Withholding Hong Kong Profit Tax is calculated at 10% of the interest income received by a subsidiary in New Zealand from a subsidiary in Hong Kong.

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

Three (2015: Two) of the Group's subsidiaries operating in PRC are eligible for certain tax holidays and concessions. Two are exempted from PRC income taxes whereas another one is entitled for 50% PRC income taxes reduction for the year.

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

10. DIVIDENDS

Except for dividend declared by BCG NZ to Beijing Capital (HK) and BCG Chinastar as disclosed below, no dividend was paid or proposed by the Company during 2016, nor has any dividend been proposed by the Company since the end of the reporting period (2015: nil).

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Dividend declared by BCG NZ		
2015 Final (2015: nil)	**266,509**	–
2016 Interim (2015: 2015 Interim)	**149,129**	41,795
	415,638	41,795

11. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**43,848**	157,825

Number of shares

	2016	2015
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**14,294,733**	12,256,410

Note:

The weighted average number of shares used for the purpose of calculating basic and diluted earnings per share for the year ended 31 December 2015 has been adjusted as if the 4,541,574,877 new shares issued for the purpose of satisfying part of the consideration for the Acquisition was issued at 28 March 2014, on the basis that the consolidated financial statements are prepared as if BCG NZ and its subsidiaries had been combined from the date when first came under the control of the common controlling party of the Company and BCG NZ and its subsidiaries (Note 2).

The computation of diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of the Company's outstanding share options and warrants as the respective exercise price of those share options and warrants is higher than the average market price for shares in 2015. The basic and diluted earnings per share for the year ended 31 December 2016 are the same as there were no potential ordinary shares in issue for the 2016.

12. CONCESSION FINANCIAL ASSETS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Analysed for reporting purpose as:		
Current assets	**63,507**	44,198
Non-current assets	**1,225,052**	968,031
	1,288,559	1,012,229

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

Service concession arrangements with certain government authorities in the PRC ("Grantors") 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. The effective interest rate is ranged from 3.63% to 13.58% at 31 December 2016 (2015: 3.63% to 13.58%).

As at 31 December 2016, the major terms of the Group's significant service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Electricity generation	Status	Balance as at 31 December 2016 *RMB'000*	2015 *RMB'000* (Restated)
南昌首創環保能源有限公司 (Nanchang Capital Environment Energy Co., Ltd.*) (Formerly known as 南昌百瑪士綠色能源有限公司 (Nanchang Biomax Green Energy Co., Ltd.*))	南昌市垃圾焚燒發電廠 (Nanchang Solid Waste Incineration Power Generation Plant*)	Quanling, Nanchang	南昌市市環境管理局 (Nanchang City Environment Administration Bureau*)	October 2016 to September 2041 (25 years) *(Note 1)*	1,200 tonnes	131 million kWh	Operating *(Note 1)*	**609,836**	615,199
都勻市科林環保有限公司 (Duyun Kelin Environmental Company Limited*)	都勻市生活垃圾填埋場 (Duyun Municipal Solid Waste Landfill Site*)	Duyun, Guizhou	都勻市人民政府 (Duyun People's Government*)	June 2012 to June 2042 (30 years)	300 tonnes	N/A	Operating	**131,084**	123,773

* *For identification purposes only*

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 2016 *RMB'000*	2015 *RMB'000* (Restated)
甕安縣科林環保有限公司 (Weng'an Kelin Environment Company Limited*)	甕安縣生活垃圾填埋場 (Weng'an Municipal Solid Waste Landfill Site*)	Weng'an, Guizhou	甕安縣人民政府 (Weng'an People's Government*)	July 2015 to June 2045 (30 years)	150 tonnes	N/A	Operating	**55,134**	52,536
惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*)	惠州市生活垃圾焚燒發電廠 (Huizhou Municipal Solid Waste Incineration Power Generation Plant*)	Gonglian Village, Huizhou	惠州市市容環境衛生管理局 (Huizhou Environmental and Hygiene Control Authority*)	*(Note 2)*	1,600 tonnes	161 million kWh	Operating	**171,733**	157,282
葫蘆島康達錦程環境治理有限公司 (Huludao Kangte Jincheng Environment Management Company Limited*)	葫蘆島市生活垃圾填埋場 (Huludao Municipal Solid Waste Landfill Site*)	Huludao, Liaoning	葫蘆島市住房和城鄉建設委員會 (Huludao City Housing and Urban-Rural Construction Commission*)	20 years after obtaining the approval for commercial operation	420 tonnes	N/A	Operating	**53,796**	48,713
都勻市首創環保有限公司 (Duyun Capital Environment Company Limted*)	都勻市生活垃圾焚燒發電廠 (Duyun Solid Waste Incineration Power Generation Plant*)	Duyun, Guizhou	都勻市人民政府 (Duyun People's Government*)	30 years after obtaining the approval for construction	900 tonnes	64 million kWh	Under Construction	**74,376**	N/A
南陽首創環境科技有限公司 (Nanyang Capital Environment Technology Company Limited*)	淅川、西峽、內鄉三縣鄉鎮垃圾收集、轉運、處理項目 (Xichuan, Xixia, Neixiang Garbage Collection, Transport and Processing Project*)	Nanyang, Henan	南陽市住房和城鄉建設委員會 (Nanyang Housing and Urban-Rural Construction Commission*)	January 2016 to January 2046 (30 years)	723 tonnes	N/A	Under Construction	**123,382**	N/A
高安意高再生資源熱力發電有限公司 (Gaoan Eacoon Renewable Resources for Thermal Power Generation Co., Limited*) ("Gaoan Eacoon")	高安市垃圾焚燒發電廠 (Gaoan Solid Waste Incineration Power Generation Plant*)	Gaoan, Jiangxi	高安市人民政府 (Gaoan People's Government*)	30 years after obtaining the approval for construction	900 tonnes	64 million kWh	Under Construction	**42,139**	N/A

* *For identification purposes only*

Notes:

1. The waste treatment and waste-to-energy plant started trial run on 15 January 2015 and started commercial operation on 1 October 2016.

2. Under the cooperation agreement signed on 3 August 2001, the existing plant has a service concession period of 27 years. A new cooperation agreement in respect of the construction and operation of a new waste treatment plant has been signed on 20 August 2013, superseding the agreement signed on previously. Pursuant to the new cooperation agreement, the existing waste treatment plant will continue to operate not more than three years from the signing of the new cooperation agreement, by then it will be demolished and replaced by the new treatment plant for a term of 30.5 years. As at 31 December 2016, owing to the delay in site selection to construct the new treatment plant, the existing waste treatment plant will continue to operate until the new treatment plant is ready to use.

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

The Group recognised revenue from construction services of RMB196,484,000 (2015: RMB203,526,000 (restated)) by reference to the stage of completion of the construction work and revenue from operation services of RMB26,311,000 (2015: RMB44,221,000 (restated)).

13. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Listed securities, at fair value		
– Equity securities listed in HK	**63,898**	86,487
Unlisted equity investments, at cost		
– 北京市一清百瑪士綠色能源有限公司 (Beijing Yiqing Biomax Green Energy Park Company Limited*) ("Beijing Yiqing") *(Note)*	**16,233**	–
CARRYING VALUES	**80,131**	86,487

Note:

Upon the disposal as mentioned in Note 22, the Group retained 20% of the equity interest in Beijing Yiqing. However, the Group do not have power to participate in the financial and reporting policy of Beijing Yiqing, the investment is classified as available-for-sale investment accordingly. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

* *For identification purposes only*

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

The amount represents advance payments to third party suppliers for purchase of materials and equipment, which have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements. Included in the deposits paid balance is an advance payment to a third party supplier, 城市建設研究院 (Urban Construction Design & Research Institute*) ("Urban Construction Institute"), with aggregate carrying amount of RMB40,050,000 (2015: RMB40,050,000), net of impairment loss of RMB89,600,000 (2015: RMB89,600,000). The Group has submitted the first dispute with Urban Construction Institute to the 南昌仲裁委員會 (Nanchang Arbitration Committee*) during the year ended 31 December 2012 and various appeals have been made between the Group and Urban Construction Institute to the Nanchang Arbitration Committee and different law courts in PRC.

On 7 March 2016, a court order was issued from the 江西省高級人民法院 (High Court of Jiangxi Province*) (the "High Court") to the Group to attend a hearing and requested the Group and Urban Construction Institute to provide supporting documents for the appeal.

As at 31 December 2016, the final resolution from the High Court is not yet released and the amount of deposits refundable from Urban Construction Institute is yet to be finalised.

The Group has not made further impairment on such deposits during the year ended 31 December 2016, after taking into account the legal opinion provided by an independent lawyer.

15. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**652,630**	532,125
Less: Allowance for doubtful debts	**(8,229)**	(8,123)
	644,401	524,002

* *For identification purposes only*

The Group's trade receivable mainly arisen from waste collection, waste landfill, technical waste services, electronic appliance dismantling services and sales of dismantled products. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the business they engage in. The credit period granted to customers is generally less than 50 days, expect for customers of the electronic appliance dismantling services which is the Central Government. The Group submits the quantities and products dismantled to the government online system on a weekly basis. The Central Government would appoint independent auditors to perform fieldwork audit quarterly or semi-annually, depending on the province practice, to verify the submitted details in the online system posted by the dismantling entities. Audit report would be issued by the independent auditors and submitted to the central government for the quantities confirmation results. Subject to the internal procedures for processing the auditor reports, the Central Government would publish online confirmation notice on its website the quantities of dismantling appliance and the dismantling subsidy would be paid to the entities after 1 to 1.5 years of the online publication. The whole confirmation process from performing the electronic appliance dismantling services until the cash receipt from Central Government are ranged from 1 to 3 years. Under this circumstances, there is no credit terms granted for the dismantling subsidy receivable from the Central Government and the amount of dismantling subsidy receivables are excluded from the below aging analysis.

	2016	2015
	RMB'000	*RMB'000*
Trade receivables (net of provision)	**644,401**	524,002
Less: Dismantling subsidy receivables *(Note)*	**(333,064)**	(247,447)
	311,337	276,555

Note:

Balance represents the subsidy receivables from the provision of electronic appliances dismantling services. The Group does not hold any collateral over these balances. In the opinion of the directors of the Company, the credit risk on these balances is limited because the customers are the Central Government.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) excluding dismantling subsidy receivable presented based on the revenue recognised as at the end of the reporting period.

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
0-90 days	**295,475**	260,514
91-180 days	**6,101**	13,208
181-360 days	**4,553**	346
Over 360 days	**5,208**	2,487
	311,337	276,555

Aging of trade receivables excluding dismantling subsidy receivable which are past due but not impaired.

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Overdue by:		
51 – 180 days	**23,722**	24,446
181 – 360 days	**–**	346
Over 360 days	**5,208**	2,487
	28,930	27,279

Movement in the allowance for doubtful debts

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Balance at the beginning of the year	**8,123**	8,123
Impairment losses recognised	**1,771**	680
Amount written off as uncollectible	**(1,893)**	(225)
Exchange realignment	**228**	(455)
Balance at the end of the year	**8,229**	8,123

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB8,229,000 (2015: RMB8,123,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

16. ASSETS CLASSIFIED AS HELD FOR SALE

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Assets classified as held for sales:		
Vehicles, trucks and tankers for sales *(Note a)*	**10,985**	6,365
Beijing Yiqing *(Note b)*	**–**	258,135
	10,985	264,500
Liabilities associated with assets held for sales:		
Beijing Yiqing *(Note b)*	**–**	(111,424)
	–	(111,424)

Notes:

a. Assets classified as held for sale included vehicles, trucks, and tankers which are built for purpose of waste management. These are sold to sub-contractors/owner-drivers operating on Waste Management NZ's behalf. These are expected to be sold within the next twelve months.

b. On 12 November 2015, the Group entered into a sales and purchase agreement regarding the disposal of 40% equity interest of Beijing Yiqing (the "Disposal"), a subsidiary of the Group, which is engaged in a waste treatment project in Beijing Dongcun for a total consideration of approximately RMB37,478,000 to 北京環境衛生工程集團有限公司 (Beijing Environment Sanitation Engineering Group Company Limited*) (the "Buyer").

As at 31 December 2015, the Group and the Buyer obtained approval from the local authorities for the Disposal. On 29 January 2016, the consideration for the 40% equity interest of Beijing Yiqing was paid to the Group.

The assets and liabilities attributable to Beijing Yiqing, which are expected to be disposed of within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2015 (see below).

The assets and liabilities of Beijing Yiqing classified as held for sale for the year ended 31 December 2015 are as follows:

	RMB'000
Property, plant and equipment	235
Prepaid lease payments	1,742
Concession financial asset	240,957
Deposit paid for construction of infrastructure in service concession arrangements	1,591
Deferred tax assets	1,856
Deposits, prepayments and other receivables	6,483
Bank balances and cash	5,271
Assets classified as held for sale	258,135
Trade payables	(6,041)
Other payables and accruals	(31,699)
Bank borrowings	(73,684)
Liabilities associated with asset classified as held for sale	(111,424)

The Disposal was completed on 29 December 2016 (Note 22) and the Group retains 20% equity interest of Beijing Yiqing and the investment is classified as an available-for-sale investment as at 31 December 2016 (Note 13).

* *For identification purposes only*

17. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
0 – 90 days	**218,088**	144,869
91 – 180 days	**4,440**	5,355
181 – 360 days	**4,278**	–
Over 360 days	**10,021**	8,349
	236,827	158,573

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

18. BANK AND OTHER BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Bank loans	**881,982**	786,190
Loan from BCG Chinastar *(Note)*	**2,833,673**	2,533,169
	3,715,655	3,319,359
Secured loan	**578,780**	786,190
Unsecured loan	**3,136,875**	2,533,169
	3,715,655	3,319,359

Note:

The balance represents a loan of NZ$570,000,000 from BCG Chinastar which were unsecured, interest bearing at 5% per annum and had a maturity date of 1 June 2018. The carrying amount of the loan as at 31 December 2016 was RMB2,833,673,000 (2015: RMB2,533,169,000).

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Carrying amount repayable:		
Within one year	**458,322**	384,410
More than one year, but not exceeding two years	**2,868,253**	58,120
More than two years, but not exceeding three years	**88,420**	2,614,749
More than three years, but not exceeding four years	**100,230**	82,420
More than four years, but not exceeding five years	**94,430**	93,230
More than five years	**106,000**	86,430
	3,715,655	3,319,359
Less: Amounts due within one year shown under current liabilities	**(458,322)**	(384,410)
Amounts shown under non-current liabilities	**3,257,333**	2,934,949

The exposure of the Group's fixed-rate and variable-rate borrowings and the contractual maturity dates are as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Fixed-rate borrowings:		
Within one year	**327,000**	308,000
More than one year, but not exceeding two years	**2,781,673**	–
More than two years, but not exceeding three years	**–**	2,533,169
More than five years	**52,000**	–
	3,160,673	2,841,169
Variable-rate borrowings:		
Within one year	**131,322**	76,410
More than one year, but not exceeding two years	**86,580**	58,120
More than two years, but not exceeding three years	**88,420**	81,580
More than three years, but not exceeding four years	**100,230**	82,420
More than four years, but not exceeding five years	**94,430**	93,230
More than five years	**54,000**	86,430
	554,982	478,190
	3,715,655	3,319,359

Details of secured fixed rate borrowings

Borrowings balance as at		Nature of securities	Securities balance as at	
2016	2015		**2016**	2015
RMB'000	*RMB'000*		***RMB'000***	*RMB'000*
–	5,000	Guarantee by an independent third party	**N/A**	N/A
–	291,000	Corporate guarantee of a subsidiary of Beijing Capital Group	**N/A**	N/A
50,000	–	Corporate guarantee of the Group	**N/A**	N/A
–	12,000	Prepaid lease payment	**N/A**	35,221
47,000	–	Prepaid lease payment and buildings	**56,383**	N/A
97,000	308,000			

Details of secured variable rate borrowings

Borrowings balance as at		Nature of security	Security balance as at	
2016	2015		**2016**	2015
RMB'000	*RMB'000*		***RMB'000***	*RMB'000*
36,780	43,190	Corporate guarantee of a subsidiary of Beijing Capital Group	**N/A**	N/A
265,000	285,000	Corporate guarantee of the Group	**N/A**	N/A
–	29,000	Prepaid lease payment	**N/A**	21,841
100,000	121,000	BOT contract and the Group's equity interest in Huizhou	**N/A**	N/A
80,000	–	BOT contract in Yangzhou	**N/A**	N/A
481,780	478,190			

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

	2016	2015
Effective interest rate:		
Fixed-rate borrowings	**1.2% – 5.66%**	3.9% – 5.66%
Variable-rate borrowings	**PRC Benchmark Loan Rate and New Zealand London Interbank Offered Rate**	PRC Benchmark Loan Rate

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

	2016	2015
	RMB'000	*RMB'000*
Floating rate		
– expiring within one year	**–**	377,000
– expiring beyond one year	**122,003**	–
Fixed rate		
– expiring within one year	**–**	15,000
– expiring beyond one year	**1,302,000**	1,300,000
	1,424,003	1,692,000

19. CONVERTIBLE BONDS

On 6 December 2011, the Company signed an agreement with Beijing Capital (HK) for the subscription of a convertible bond in the principal amount of HK$100,000,000 ("Convertible Bonds I").

The Convertible Bonds I can be converted into ordinary shares of the Company at HK$0.40 per share, subject to anti-dilutive adjustments and further adjusted to RMB0.29 per share upon the completion of rights issue on 8 July 2013. Beijing Capital (HK) shall have the rights to convert the whole or part of the outstanding principal amount of the Convertible Bonds I during the conversion period. The Convertible Bonds I bear zero interest and would mature on 31 December 2014.

On 4 November 2014, Beijing Capital (HK) converted Convertible Bonds I with the principal amount of HK$22,000,000 at RMB0.29 per share.

On 19 November 2014, the Company entered into a supplementary deed with Beijing Capital (HK) to amend the terms and conditions of the Convertible Bond I.

Upon the amendment, the conversion price of the Convertible Bonds I was adjusted to RMB0.229 by connecting HK$0.29 by the exchange rate of HK$1 to RMB0.78861. For accounting purposes, the conversion option is classified as equity instrument and the changes in fair value are not recognised in profit or loss.

Under the amendment, the Convertible Bonds I are deemed as to be redeemed and the amended Convertible Bonds I ("Convertible Bonds II") are deemed to be issued. Gain on fair value change of embedded derivatives amount to RMB69,149,000 was recognised upon the amendment on the terms and conditions of the Convertible Bonds I. The effective interest rate of the liability components of Convertible Bond II is 22% per annum.

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

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

The movement of the liability component of the Convertible Bonds for the year ended 31 December 2015 are set out as below:

	Convertible Bonds II
	RMB'000
	(Restated)
Liabilities component	
At 1 January 2015	50,939
Conversion	(57,717)
Effective interest charged to profit or loss *(Note 7)*	6,778
At 31 December 2015	–

20. WARRANTS

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

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

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

The Warrants were expired on 14 April 2015 and no share was subscribed through the exercise of the Warrants. A gain of approximately RMB63,000 arising from the change in fair value was charged to profit or loss for the year ended 31 December 2015.

21. ACQUISITION OF BUSINESSES

(a) For the year ended 31 December 2016

On 12 January 2016, a wholly owned subsidiary of the Company acquired 51% equity interest of 江西瑞金愛思環保電力有限公司 (Jiangxi Ruijin Ai Si Environmental Electric Limited*) ("Jiangxi Ruijin") from independent third parties, for a total amount of RMB15,000,000. Jiangxi Ruijin is responsible for building and operating a solid waste incineration and power generation project in Jiangxi Ruijin City under a BOT arrangement with a concessionary period of 30 years.

* *For identification purposes only*

On 3 February 2016, a wholly owned subsidiary of the Company acquired 60% equity interests of Gaoan Eacoon, from independent third parties, for cash consideration of RMB7,200,000. Gaoan Eacoon is responsible for building and operating a solid waste incineration and power generation project in Jiangxi Gao An City under a BOT arrangement with a concessionary period of 30 years.

On 31 August 2016, Waste Management NZ acquired the business operation of Pacific Rubber Recycling ("Pacific Rubber") for consideration of approximately NZ$1.0 million (equivalent to approximately RMB4,983,000). Pacific Rubber is engaged in waste tyre recycling business in New Zealand.

On 30 November 2016, Waste Management NZ acquired the business operation of Tirohia Landfill & Hamilton Organics ("Tirohia & Hamilton") for consideration of approximately NZ$16.0 million (equivalent to approximately RMB78,120,000). Tirohia & Hamilton is engaged in landfill operation in New Zealand.

These acquisitions have been accounted for using the purchase method.

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

	Jiangxi Ruijin *RMB'000*	**Gaoan Eacoon** *RMB'000*	**Pacific Rubber** *RMB'000*	**Tirohia & Hamilton** *RMB'000*	**Total** *RMB'000*
Concession financial asset	**–**	**12,000**	**–**	**–**	**12,000**
Property, plant and equipment	**–**	**–**	**5,759**	**24,098**	**29,857**
Deposits paid for construction of infrastructure in service concession agreement	**16,673**	**–**	**–**	**–**	**16,673**
Deposits, prepayment and other receivables	**19,831**	**–**	**–**	**–**	**19,831**
Bank balances and cash	**9,353**	**–**	**–**	**–**	**9,353**
Accruals and other payable	**(16,445)**	**–**	**(776)**	**–**	**(17,221)**
Net assets acquired	**29,412**	**12,000**	**4,983**	**24,098**	**70,493**

Goodwill arising on acquisition

	Jiangxi Ruijin *RMB'000*	Gaoan Eacoon *RMB'000*	Pacific Rubber *RMB'000*	Tirohia & Hamilton *RMB'000*	Total *RMB'000*
Consideration transferred	**15,000**	**7,200**	**4,983**	**78,120**	**105,303**
Non-controlling interests	**14,412**	**4,800**	**–**	**–**	**19,212**
Net assets acquired	**(29,412)**	**(12,000)**	**(4,983)**	**(24,098)**	**(70,493)**
Goodwill	**–**	**–**	**–**	**54,022**	**54,022**

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

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

The acquisition of Tirohia & Hamilton was close to the year end and the purchase price allocation was still in progress as at 31 December 2016. Under the acquisition agreement, the consideration of the acquisition was amounted to approximately RMB78,120,000 and RMB24,098,000 identifiable net assets has been recognised provisionally and unallocated goodwill of approximately RMB54,022,000 was recognised as at 31 December 2016. Management shall utilise the measurement period adjustment available in HKFRS 3 *Business Combinations* to revisit and retrospectively adjust these provisional values, if necessary.

Non-controlling interests

The non-controlling interests of 49% of Jiangxi Ruijin and 40% of Gaoan Eacoon recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of Jiangxi Ruijin and Gaoan Eacoon identifiable net assets and amounted to approximately RMB14,412,000 and approximately RMB4,800,000, respectively.

During the year ended 31 December 2016, RMB88,303,000, excluding RMB17,000,000 which was paid in 2015, was paid to the vendors for the acquisitions and there is no unpaid consideration as at the year end.

An analysis of the cash flows in respect of the acquisitions is as follows:

Net cash outflow arising from acquisitions

	Jiangxi Ruijin *RMB'000*	Gaoan Eacoon *RMB'000*	Pacific Rubber *RMB'000*	Tirohia & Hamilton *RMB'000*	Total *RMB'000*
Net cash outflow on acquisitions:					
Cash consideration paid	**(15,000)**	**(7,200)**	**(4,983)**	**(78,120)**	**(105,303)**
Deposits previously paid	**15,000**	**2,000**	**–**	**–**	**17,000**
Bank balances and cash acquired	**9,353**	**–**	**–**	**–**	**9,353**
Cash inflow (outflow) from the acquisition	**9,353**	**(5,200)**	**(4,983)**	**(78,120)**	**(78,950)**

Impact of acquisitions on the results of the Group

The Group's revenue for the year were contributed by Jiangxi Ruijin of RMB9,510,000, Gaoan Eacoon of RMB30,139,000, Pacific Rubber of RMB2,309,000 and Tirohia& Hamilton of RMB3,367,000 between the date of acquisition and 31 December 2016.

The Group's profit for the year were contributed by Jiangxi Ruijin's loss of RMB33,000, Gaoan Eacoon's loss of RMB23,000, Pacific Rubber's loss of RMB 2,228,000 and Tirohia & Hamilton's profit of RMB952,000 between the date of acquisition and 31 December 2016.

If the acquisitions had been completed on 1 January 2016, total revenue and profit for the year ended 31 December 2016 attributable to owners of the Company would have been RMB3,187,990,000 and RMB47,017,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

(b) For the year ended 31 December 2015

On 31 March 2015, Waste Management NZ a wholly-owned subsidiary of the BCG NZ, acquired the remaining 50% equity interest in Living Earth Limited ("Living Earth"), a joint venture of the Group in 2014, from the other shareholder. The acquisition was made as part of the Group's strategy to expand its New Zealand market share. The purchase consideration for the acquisition is NZ$9,801,000 (equivalent to RMB43,557,000, including a contingent consideration of RMB4,444,000).

On 2 July 2015, Waste Management NZ acquired 100% equity interest of Waste Services Marlborough Limited ("Waste Services Marlborough") from a third party, for cash consideration of NZ$2,500,000 (equivalent to RMB11,110,000). Waste Services Marlborough is engaged in bins hire and skip business in New Zealand.

On 17 July 2015, Waste Management NZ acquired 100% equity interest of Gordies Bins Limited ("Gordies Bins") from a third party, for cash consideration of NZ$2,300,000 (equivalent to RMB10,222,000). The acquisition was made as part of the Group's strategy to expand its New Zealand market share. Gordies Bins is engaged in bins hire and skip business in New Zealand.

On 1 December 2015, 北京首創環境投資有限公司 (Beijing Capital Environment Investment Limited*) ("Beijing Capital Environment") a wholly owned subsidiary of the Company acquired 70% equity interest in 浙江卓尚環保能源有限公司 (Zhejiang Zhuoshang Environment Energy Company Limited*) ("Zhejiang Zhuoshang"), from independent third parties, for cash consideration of RMB17,500,000. Zhejiang Zhuoshang is principally engaged in the treatment of kitchen waste in the PRC.

The acquisitions has been accounted for using purchase method.

* *For identification purposes only*

The fair values of the identifiable assets and liabilities of acquired subsidiaries as at the date of acquisitions were as follows:

	Living Earth *RMB'000*	Waste Services Marlborough *RMB'000*	Gordies Bins *RMB'000*	Zhejiang Zhuoshang *RMB'000*	Total *RMB'000*
Property, plant and equipment	21,181	1,640	677	322	23,820
Other intangible assets	35,429	–	–	–	35,429
Non-current assets held for sales	–	–	147	–	147
Inventories	2,422	–	–	41	2,463
Accounts receivables	5,946	–	–	364	6,310
Prepaid lease payment	–	–	–	21,869	21,869
Deposits, prepayment and other receivables	2,511	–	–	31,886	34,397
Bank balances and cash	4,115	–	–	30	4,145
Borrowings	–	–	–	(34,000)	(34,000)
Bank overdrafts	(4,305)	–	–	–	(4,305)
Accounts payables	(5,617)	–	–	(203)	(5,820)
Provision	(10,349)	–	–	–	(10,349)
Other payables and accruals	–	–	–	(3,959)	(3,959)
Deferred tax liabilities	(8,460)	–	–	–	(8,460)
	42,873	1,640	824	16,350	61,687

Goodwill arising on acquisition

	Living Earth *RMB'000*	Waste Services Marlborough *RMB'000*	Gordies Bins *RMB'000*	Zhejiang Zhuoshang *RMB'000*	Total *RMB'000*
Consideration transferred	39,113	11,110	10,222	17,500	77,945
Contingent consideration	4,444	–	–	–	4,444
Fair value of the equity interest held before the acquisition date	39,201	–	–	–	39,201
Non-controlling interests	–	–	–	4,905	4,905
Net assets acquired	(42,873)	(1,640)	(824)	(16,350)	(61,687)
Goodwill	39,885	9,470	9,398	6,055	64,808

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

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

Gain on step acquisition of Living Earth

	RMB'000
Fair value of the equity interest held before acquisition	39,201
Carrying value of the equity interest held before acquisition	(18,842)
	20,359

The fair values of the trade receivables and other receivables as at the date of acquisition of Living Earth amounted to NZ$1,338,000 (equivalent to RMB5,946,000) and NZ$24,000 (equivalent to RMB106,000), respectively. The gross contractual amounts of trade receivables and other receivables were NZ$1,338,000 and NZ$24,000, respectively, which all are expected to be collectible.

There is a NZ$1,000,000 (equivalent to RMB4,444,000) contingent consideration payable for the acquisition of Living Earth upon the occurrence of certain future events. The relevant events have not yet occurred but it is management's expectation that they will need to pay the full contracted amount of the contingent consideration of NZ$1,000,000 in the future.

Non-controlling interest

The non-controlling interests of 30% of Zhejiang Zhuoshang recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of Zhejiang Zhuoshang identifiable net assets and amounted to approximately RMB4,905,000.

During the year ended 31 December 2015, RMB5,000,000 was paid to the vendors for the acquisition of Zhejiang Zhuoshang and the balance of RMB12,500,000 was recognised in the other payables and accruals.

An analysis of the cash flows in respect of the acquisitions is as follows:

Net cash outflow arising from acquisitions:

	Living Earth *RMB'000*	Waste Services Marlborough *RMB'000*	Gordies Bins *RMB'000*	Zhejiang Zhuoshang *RMB'000*	Total *RMB'000*
Net cash outflow on acquisitions					
Total consideration	(39,113)	(11,110)	(10,222)	(17,500)	(77,945)
Consideration payable	–	–	–	12,500	12,500
Bank balances and cash acquired	4,115	–	–	30	4,145
Cash outflow from the acquisitions	(34,998)	(11,110)	(10,222)	(4,970)	(61,300)

The Group's revenue for the year were contributed by Living Earth of RMB41,251,000, Waste Services Marlborough of RMB4,923,000, Gordies Bins of RMB2,692,000 and Zhejiang Zhuoshang of RMB205,000 between the date of acquisition and 31 December 2015.

The Group's profit for the year were contributed by Living Earth's gain of RMB7,247,000, Waste Services Marlborough's loss of RMB541,000, Gordies Bins' loss of RMB119,000 and Zhejiang Zhuoshang's loss of RMB24,000 between the date of acquisition and 31 December 2015.

If the acquisitions had been completed on 1 January 2015, total revenue and profit for the year ended 31 December 2015 attributable to owners of the Company would have been RMB2,773,055,000 and RMB178,645,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

22. DISPOSAL OF A SUBSIDIARY

On 29 December 2016, the Group completed the disposal of 40% equity interest of Beijing Yiqing for a total cash consideration of RMB37,478,000 and the net assets of Beijing Yiqing at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	179
Prepaid lease payments	1,699
Concession financial asset	240,957
Deferred tax assets	1,856
Deposit paid for construction of infrastructure in service concession arrangements	2,104
Deposits, prepayments and other receivables	4,142
Bank balances and cash	6,646
Trade payables	(6,041)
Other payables and accruals	(55,292)
Amount due to subsidiaries of the Group	(27,531)
Bank and other borrowings	(87,553)
Net assets disposed of	81,166

Gain on disposal of a subsidiary:

Consideration received	37,478
Fair value of 20% equity interests retained *(Note 13)*	16,233
Net assets disposed of	(81,166)
Non-controlling interests	32,467
Gain on disposal	5,012

Net cash inflow arising on disposal:

Cash consideration	37,478
Less: bank balances and cash disposed of	(6,646)
	30,832

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

In 2016, global economy still remained weak. The developed countries including the U.S. and Japan underperformed, whilst the emerging developing countries faced a slowdown in economic growth. Although the Eurozone's economy recovered modestly, the global economy is exposed to the constant risk with high uncertainty resulting from the future turmoil caused by the Brexit. As an important engine of the global economy, PRC has been actively transforming its economic structures while continuing to maintain stable economic growth. The development of green economy and environmental protection industry has become the new sources of economic growth which China actively promotes and cultivates, and that are also an important practice for PRC future economic reforms and sustainable development.

The year 2016 is the beginning year of the "13th Five-Year Plan" of China, in which China began to implement the Proposal on Formulating the 13th Five-year Plan on National Economic and Social Development ("the Plan") approved by the Fifth Plenary Session of the 18th Central Committee of the Communist Party of China. The Plan raises the five development concepts of "Innovation, Coordination, Environmental Protection, Open-mindedness and Sharing" and further determines the five national development ideas, development direction and development touching point, so as to show the Country's emphasis on green environmental problems. The 13th Five-Year Plan Period is an important transition stage between the old and new development momentum of Chinese economy, and the green development is expected to be the new engine, an inevitable road through which the economy will be constantly growing and by which quality will be improved and upgrade will be performed. We believe that the stepping up of policy support and capital investments in environmental governance by the government, coupled with the increasing demand for environmental protection and alternative energy across the country, will provide the Group with enormous market opportunities and development potentials, achieving a win-win development in economy, environment and society.

In view of the broad prospects and great potential in the environmental protection industry, driven by brands, strategy, talents and technology, the Group will continue to leverage its comprehensive strength and explore new opportunities for business development by diversified means such as BOT, TOT, BOO, commissioning operation as well as merger and acquisition. Benefiting from the support of and the broad development prospects of environmental protection industry brought by national policies, based on the strong backing from its shareholder Beijing Capital Group Co., Ltd. and the comprehensive capability and resources of the Group, the management are confident of the future development of the Group.

During the year under review, projects of the Group continued to progress steadily. Benefiting from favorable national policies and growing market demand, the Group has made remarkable achievements in market expansion, internal management, fund raising and financing, and the extension of its business chain, stood out from the keen market competition and obtained remarkable operating results, hence laying a solid foundation for maintaining and reinforcing its leading position in the industry.

In 2016, the Group successfully obtained 6 waste treatment projects in China, which required a total investment of RMB1,152 million, and had the newly-designed annul solid waste treatment capacity of 125 million tons. The new projects include the integrated project of solid waste collection, transfer and treatment in Nanyang, Henan; the waste and hazardous resources treatment & utilization project in Meishan, Sichuan; the kitchen waste treatment project in Ningbo, Zhejiang; the concentrated kitchen waste collection and treatment project in Jinzhong, Shanxi; the solid waste collection and transportation project in Xihua county, Zhoukou, Henan and the household waste incineration power generation project in Xihua county, Zhoukou, Henan. The above-mentioned projects enable the Group to continuously remain the growth of incineration business, further establish the outstanding advantages of Anaerobic Digestion Technology treatment business and successfully enter the hazardous waste treatment business field, so as to make full use of the synergistic effect of BCG NZ, continue to solidify and improve the leading position in the industry and fulfill the development strategy of one-stop solid waste treatment comprehensive services for the government and residents.

The Group has been expanding unceasingly in the environmental protection section and achieved a good performance in the extension of overseas market. On 2 September 2016, the Company completed the acquisition of 51% shares of BCG NZ with the consideration of US$230 million. BCG NZ Group has more than 100 years of history in continuing operation, and is the largest waste management service supplier in New Zealand with over 30% market share, and has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 200,000 customers in New Zealand. This acquisition allows the Group to expand its geographical reach to New Zealand, which enhanced the market position, so as to promote the brand into overseas markets. The Group can learn BCG NZ Group's experience in some respects like the overall business model, market extension, collection, storage and transportation system, technical process, treatment technology, operating management, customer service and so on, and implement it in the industrial chain to form the complementary advantages and obtain value increase. The Acquisition will help the Group to increase its shares in the domestic market and further consolidate the leading position of the Group in the environmental protection industry.

With the development of 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 set up investment centers in Beijing, Tianjin and Hebei Province and Hazardous Waste Industrial Department during the year following the successive establishment of investment centers in Jiangxi and Henan provinces, so as to promote intra-regional project investment and explore the new investment modes. The new framework will advance the business development in each region.

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

On 29 December 2016, the Group completed the disposal of 40% equity interest in Beijing Yiqing ("the Disposal"). The Disposal was made by way of public tender auction listing procedures conducted in strict compliance with relevant PRC laws and regulations in relation to transfer of state-owned assets and has obtained approvals from State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and other competent authorities. The reserve price was determined with reference to (among others) the valuation report on Beijing Yiqing prepared by an independent and qualified PRC valuer.

During the year under review, domestic environmental protection and alternative energy projects processed household waste of 1.33 million tons and generated total on-grid electricity of 240,628,200 kWh, an increase of 38.5% and 51.1% respectively compared with 2015.

2016 is the fifth year since Beijing Capital Group Co., Ltd. became the shareholder of the Group. As at 31 December 2016, the Group secured a total of 32 projects (including 12 waste-to-energy projects, 4 waste landfill projects, 5 Anaerobic Digestion Technology treatment projects, 3 waste collection, storage and transportation projects, 3 hazardous waste treatment projects, 2 dismantling waste electronic appliances projects and 3 biomass resources electricity generation projects) with a total investment of approximately RMB9,700 million, and the investment amount amounted to RMB3,150 million as at 31 December 2016. The facilities are designed with an aggregate annual household waste processing capacity of approximately 6.97 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units.

Looking ahead, given there are huge demand for green environmental protection industry during the economic and social development in China and there are also stronger supporting policies from the PRC government to the industry, with the continued comprehensive support from the shareholder (i.e. Beijing Capital Group Co., Ltd.), the Group can realize the full potential of all the opportunities for future development. The management of the Group believes that by virtue of the industry resources, the market position and competitive advantages of the Group, the Group will constantly seek projects with growth potential and good opportunities for acquisitions and mergers through integrating and improving the existing business portfolio, constantly summing up experience and keeping track of market trends, thus to make continuous contribution to the protection of global environment, the construction of beautiful China and the achievement of green development.

The Group is on target for increasing its capability in solid waste treatment by at least 6,000 tons per day in the next year. As of 31 December 2016, the Group is proposing and negotiating with potential cooperation partners in relation to the investments in more than five waste treatment projects by way of tender or acquisition. Over the past five years, the Group has reserved a number of projects, which will contribute to the rapid growth of the Group's results once they are entering into the construction and operation period. The development of businesses in New Zealand will enable the Group to achieve a steady growth. Therefore, the management of the Group 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 capital markets and capital markets, as well as make carefully assessment on the strengths and weaknesses of various financing instruments, so as to consider several sources of funding to finance the future investments by taking account of its short-term, medium-term and long-term funding needs.

FINANCIAL REVIEW

Overview

The consolidated financial statements of the Group have been presented in Hong Kong dollars ("HK$"). Having considered that most of the Group's transactions are denominated and settled in Renminbi ("RMB"), and the change of presentation currency can also reduce the impact of any fluctuations in the exchange rate of the HK$ against the RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group. The changing of presentation currency was effective on 1 January 2017. In this connection, the Group has changed the presentation currency of the consolidated financial statements as of 31 December 2016 from HK$ to RMB. The comparative figures in the consolidated financial statements have been restated in order to be consistent with the presentation made in RMB in the current year.

Upon the completion of acquisition of 51% shares of BCG NZ by the Group, consolidated statement of financial position of the Group as at 1 January 2015 and 31 December 2015 have been restated, in accordance with the requirements under Accounting Guideline 5 *"Merger Accounting for Common Control Combinations"*, to include the assets and liabilities of BCG NZ and its subsidiaries. The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 have also been restated, to include the results of BCG NZ and its subsidiaries, as if the common control combination had been effected since 28 March 2014, the date when BCG NZ was incorporated by Beijing Capital Group and there by the Group and BCG NZ first came made under common control by Beijing Capital Group.

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached RMB2,707.9 million, similar as compared to the restated comparative figures in 2015. Profit attributable to owners of the Group in 2016 was RMB43.8 million, representing an decrease of RMB114.0 million as compared to the restated comparative figures in 2015. The decrease was mainly due to the increase in administrative expenses and finance costs. The domestic projects increased for the year and several new investment centres were established to meet the needs for rapid development; moreover, overseas mergers and acquisitions also resulted in more professional fees. In addition, interest expenses on borrowings of overseas subsidiaries led to the increase in the overall finance costs of the Group.

Financial Position

As at 31 December 2016, the Group had total assets amounting to approximately RMB9,265.3 million and net assets attributable to the owners of the Company were approximately RMB3,101.9 million. As at 31 December 2016, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 54%, a slightly increase of 3 percentage points from 51% at the end of 2015. The current ratio (which is calculated on the basis of current assets over current liabilities) decreased from approximately 1.92 as at 31 December 2015 to approximately 1.27 as at 31 December 2016.

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

During the year under review, the Company issued 4,541,574,877 ordinary shares at HK$0.40 per share as the consideration for the acquisition of the Consideration Shares of BCG NZ. As a result, the issued share capital of the Company was enlarged to 14,294,733,167 ordinary shares.

Financial Resources

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders and banks. As at 31 December 2016, the Group had cash and bank balances and pledged bank deposits of approximately RMB780.0 million, representing a decrease of approximately RMB656.0 million as compared to the restated comparative figures in 2015 of approximately RMB1,436.0 million. The decrease was mainly due to the payment in respect of the infrastructure work under service concession arrangements, investments in new projects and expenditure on daily operation during the year under review. Currently, most of the Group's cash is denominated in RMB, HK$ and New Zealand dollars.

Borrowings

As at 31 December 2016, the Group had outstanding borrowings of approximately RMB3,715.7 million, representing an increase of approximately RMB396.3 million as compared to the restated comparative figures in 2015 of approximately RMB3,319.4 million. The borrowings comprised secured loans of approximately RMB578.8 million and unsecured loans of approximately RMB3,136.9 million. The borrowings are denominated in RMB and New Zealand dollars. Approximately 85.1% and 14.9% 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 RMB, HK$, New Zealand dollars and US dollars. 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. During the year, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Charges on Assets

As of 31 December 2016, 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 RMB56.4 million.

Capital Commitment arrangement

As at 31 December 2016, the Group had capital commitment of approximately RMB506.2 million and RMB73.3 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 2016, the Group provided guarantees of approximately RMB13.6 million to two banks in respect of banking facilities granted to an associate. The Group also provided guarantees of approximately RMB237.0 million to the New Zealand government authorities on continuous operation of the landfills or meeting the required operational standards.

Employment Information

As at 31 December 2016, the Group had about 2,558 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.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (the year ended 31 December 2015: nil).

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 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (the “Listing Rules”) as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquires of all its directors regarding any noncompliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

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 (“Code Provisions”) set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year under review, except for Code Provisions E.1.2 as set out below.

Code Provisions E.1.2 provides that the chairman of the Board (“the Chairman”) and the chairman of respective Board committees should attend the annual general meeting of the Company. In addition, the external auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, accounting policies and auditor’s independence.

The Company held its annual general meeting on 30 June 2016. Due to other business commitments, Mr. Wang Hao, the Chairman, was unable to attend this annual general meeting. Mr. Cao Guoxian, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and the Company’s external auditor attended and answered questions raised by the shareholders of the Company at this annual general meeting physically.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on both the websites of the Company (www.cehl.com.hk) and of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board of
Capital Environment Holdings Limited
Wu Lishun
Chairman

Hong Kong, 22 March 2017

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Wu Lishun, Mr. Cao Guoxian, Mr. Liu Yongzheng, Ms. Zhang Meng and Mr. Yang Bin; and three independent non-executive directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.