粵豐環保電力有限公司

Canvest Environmental Protection Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1381

Annual Report 2015

Creating a **Bright Future** Together

Corporate Profile

Canvest Environmental Protection Group Company Limited is a leading pure play waste-to-energy provider focused solely on the development, management and operation of WTE plants. As at 22 March 2016, total operating and secured daily MSW processing capacity of the Group reached 14,650 tonnes and according to the Euromonitor Report, in terms of daily MSW processing capacity for commercial operating WTE plants in 2013: (i) the Company was the second largest WTE provider in Guangdong Province and the 11th largest WTE provider in the PRC respectively; and (ii) among all non-State-owned background enterprises, the Company was the largest WTE provider in Guangdong Province and the fourth largest WTE provider in the PRC.

In December 2014, Canvest was listed on the Main Board of The Stock Exchange of Hong Kong Limited. We used the majority of the net proceeds from our initial public offering to expand our capacity through either developing our own greenfield projects or acquire WTE plants and upgrade it afterwards, with an aim to bring fruitful returns to our shareholders.

In January 2015, Canvest has been selected as a constituent of Hang Seng Infrastructure Index, Hang Seng Global Composite Index, Hang Seng Composite Index, Hang Seng Composite Industry Index – Utilities and Hang Seng Composite SmallCap Index.

Contents

Financial Highlights

Consolidated Income Statement Highlights

For the year ended 31 December

	2015	2014	Change
Revenue (HK$'000)	**1,184,536**	793,967	+49.2%
– Among: Revenue from power sales and waste treatment (HK$'000)	**581,128**	541,946	+7.2%
Gross profit (HK$'000)	**439,324**	342,321	+28.3%
EBITDA (HK$'000)	**511,844**	407,985	+25.5%
Profit for the year (HK$'000)	**288,895**	208,359	+38.7%
Profit attributable to equity holders of the Company (HK$'000)	**272,001**	191,038	+42.4%
Basic earnings per share (HK cents)	**13.6**	12.7	+7.1%
Cash generated from operating projects (HK$'000)	**311,530**	307,920	+1.2%

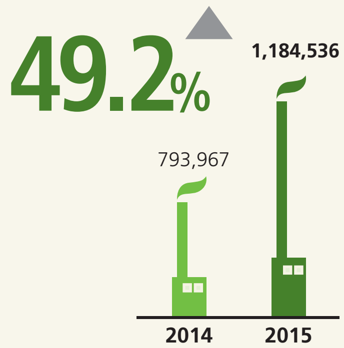
Consolidated Balance Sheet Highlights

As at 31 December

	2015	2014	Change
Total assets (HK$'000)	**4,467,917**	3,767,416	+18.6%
Total liabilities (HK$'000)	**2,133,516**	1,349,452	+58.1%
– Total borrowings (HK$'000)	**1,419,895**	1,028,686	+38.0%
Equity attributable to equity holders of the Company (HK$'000)	**2,334,401**	2,314,992	-0.8%
Total liabilities/total assets	**47.8%**	35.8%	+12.0pts

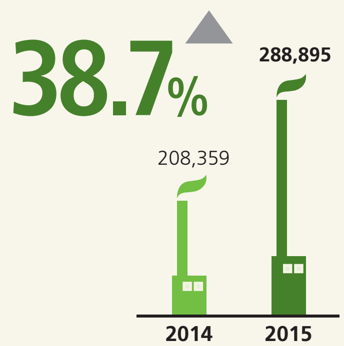
Revenue

(for the year ended 31 December)
HK$'000



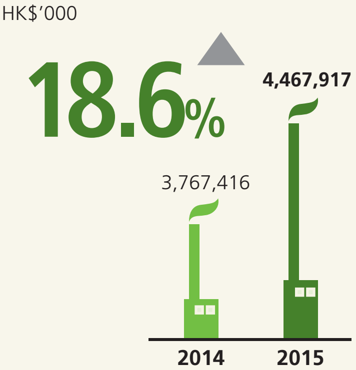
Profit for the year

(for the year ended 31 December)
HK$'000



Total assets

(for the year ended 31 December)
HK$'000



Corporate Milestones

Jan 15

- Received the notice to expand the installed MSW processing capacity of Eco-Tech WTE plant by additional 1,500 tonnes

Mar 15

- Announced 2014 annual results. Profit attributable to equity holders of the company increased by 45.9% as compared to the previous year

Apr 15

- Received the notice to construct phase one and phase two of Zhanjiang WTE project simultaneously

May 15

- Acquired remaining 45% equity interest in Zhanjiang Yuefeng Environmental Power Company Limited

May 15

- Acquired 100% equity interest in Laibin Zhongke Environmental Power Company Limited

Jun 15

- Received the notice to expand the installed MSW processing capacity of Laibin WTE plant to a maximum of 1,500 tonnes

Aug 15

- Announced 2015 interim results. Profit attributable to equity holders of the Company reached HK$100,895,000

- Acquired 100% equity interest in Celestial Jade Limited. It holds the right to construct a WTE plant in Qingyuan City, Guangdong Province

Aug 15

- Eco-Tech WTE plant resumed trial operation

Dec 15

- China Scivest WTE plant was awarded "Grade AAA Innocuous Waste Incineration Plant" by the Department of Housing and Urban-Rural Development of Guangdong Province

- Entered into a letter of intent to acquire 100% equity interest in Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited. The acquisition materialized in Jan 2016

Chairlady's Statement

"We will expand WTE business by bidding for new projects and actively seek quality merger and acquisition opportunities"

To all honorable Shareholders,

On behalf of Canvest Environmental Protection Group Company Limited, I am pleased to report the satisfactory results of the Group for the year ended 31 December 2015.

Following the steady development of China's economy, the improving living standard of residents, accelerating construction of new towns and rapid urbanization, huge amount of solid wastes were produced, causing an increasingly serious problem of "waste siege". The revised Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) was officially implemented in 2015 in order to strengthen the promotion of clean energy and environmental protection, and at the same time, a set of rules and opinions which govern and control the emission of environmental toxic substances were released, for examples, the "Operation Regulatory Standards of Solid Waste Incineration Plants" (《生活垃圾焚燒廠運行監管標準》), "Technical Specifications for Dioxin Monitoring" (《二噁英類監測技術規範》) and "Instructions for fully promoting Rural Solid Waste Treatment" (《全面推進農村垃圾治理的指導意見》). The central government is concerned about the problem of waste siege and places more emphasis on environmental protection. The introduction of new rules and regulations shows that the WTE industry is of importance and is a top priority in China. It also indicates that China's WTE industry is committed to follow the international standards and requirements, paving way for the healthy and sustainable development of the waste treatment industry in our nation.

According to the statistics conducted by E20, an institution engaged in providing services to the environmental industry, China's rural population reached 650 million in 2015, which is expected to generate up to 110 million tonnes of solid waste per year. It is also expected that the 13th Five-Year Plan will gradually include rural waste in the coverage of innocuous treatment. In addition, according to the Ministry of Housing and Urban-Rural Development of the PRC, waste treated by incineration constituted approximately 26% of all the waste treated in 2014, and it was far less than that of the landfill disposal method which constituted 70% and below the target of 35% set by the 12th Five-Year Plan. Euromonitor International Limited, a global research organization, anticipated that the compound average growth rate of incineration treatment method in China would reach 23% between 2013 and 2018, and its incineration rate would reach approximately 50% of the MSW processing capacity in 2018, accompanied with more meticulous operations and sophisticated management. With economic growth and rapid urbanization, there is increasing pressure on the demand of land resources, making incineration a more preferred waste processing method than landfill in China. Furthermore, the rules and regulations governing the WTE industry is gradually adopting international standards. For example, under the "Standard for Pollution Control on the Municipal Solid Waste Incineration" released in 2014, which is applicable to all existing WTE plants from 1 January 2016, the dioxin emission standard is comparable to the European Union Standard. It showed that China is determined to further strengthened its supervision of the WTE business.

Benefited from the continuous support of the environmental protection industry via national policies, the growing demand for waste treatment and the increasing requirements on the relevant treatment technologies and environmental protection standards, the growth momentum of the waste incineration industry is expected to continue. In 2015, with the operating revenue from the four projects operated by the Group, including Eco-Tech, Kewei, China Scivest and Laibin, as well as the construction revenue and finance income derived from the construction of Zhanjiang Yuefeng, our revenue increased by 49.2% year-on-year to HK$1,184.5 million, and profit attributable to the equity holders of the Company amounted to HK$272.0 million, representing an increase of 42.4% from last year. The Group's gross profit margin maintained at a high level of 37.1%.

Chairlady's Statement

As at the end of 2015, the daily MSW processing capacity of our operations, together with the daily MSW processing capacity of the secured contracts, increased by approximately 80% to 12,400 tonnes on year-on-year basis, which outperformed the initial growth target set by our management. At the beginning of 2016, with the approved expansion of China Scivest and the acquisition of Xingyi project, the total operating and secured capacity of the Group is further increased to 14,650 tonnes. We were conditionally awarded the BOT concession right of Beiliu WTE plant in March 2016, which will further increase the total capacity to 15,700 tonnes, subject to final terms.

Since our successful listing at the end of 2014, the Group has been actively seeking for expansion opportunities in the market and were able to expand our operation outside Guangdong Province. We successfully acquired projects in Guangxi Zhuang Autonomous Region and Guizhou Provinces to expand our geographical coverage. All these breakthroughs not only are significant to the Group's geographic expansion in China, but also help us to expand revenue sources and strengthen asset base.

With our unique experience in technological upgrade and proven track record of efficient operating capability, China Scivest WTE plant, the first technological upgrade project of the Group, was awarded the "Grade AAA Innocuous Waste Incineration Plant" (AAA級無害化焚燒廠評級) by the Department of Housing and Urban-Rural Development of Guangdong Province (廣東省住房和城鄉建設廳). This grade is the highest in the rating system, which demonstrates that the operating capabilities and technologies of the Group are highly recognized in the field. We anticipate all WTE plants will follow the same high standard going forward.

Entering into 2016, the Group was provided with a convertible loan of HK$465 million from IFC to strengthen the Group's financial capability. The extension of convertible loan is to support the Group's expansion in the WTE industry, and it demonstrates IFC's recognition of the Group's high operation standards and successful track record.

Taking into account of various factors including the needs for business development of the Group, the Board does not recommend the payment of any dividend for the year ended 31 December 2015.

Looking forward, due to the enormous domestic demand for the industry, more advanced technologies, more stringent supervision as well as the continuous supporting policies in China, we are optimistic towards the prospect of the MSW processing industry, and we expect the industry will have sustainable and healthy growth. We will continue to capitalise on our strengths, focus on developing our WTE business, and centralise our resources to expand our business in geographical areas with high economic growth, high gross domestic product level, with local governments who value environmental protection and treat waste treatment seriously, and finally, with a dense population and sufficient waste supply. In addition to bidding for new projects, we will continue to actively seek quality merger and acquisition opportunities. We believe most of the newly built WTE plants will adopt the moving grate technology. Existing WTE plants that run on the fluidized bed technology will have to undergo technological upgrade to meet the new environmental and emission standards. Thus, we see new business opportunities for the technological upgrade market. Moreover, we shall continue to actively seek opportunities for the acquisition of WTE plants which lack management experience, technical know-hows, or financial resources. Leveraging on our operational and technological advantages, we are committed to strengthen our leading position in the WTE industry. In addition to our headquarter, we have set up business development units in the North-eastern and Mid-western regions in China to identify new business opportunities, and have allocated more resources on the recruitment and training of our technical team in order to support our growth plan.

On behalf of the Board, I would like to express our deepest gratitude to our shareholders, business partners and stakeholders for their unwavering support, and also to all of our staff for their dedication and devotion.

Lee Wing Yee Loretta
Chairlady

Hong Kong, 22 March 2016

Project Overview

Eco-Tech WTE plant (Phase 1) (Trial operation)

Eco-Tech WTE plant (Phase 2) (Undergoing preparatory works)

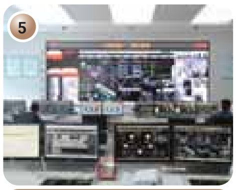
Kewei WTE plant (Commercial operation)

China Scivest WTE plant (Phase 1) (Commercial operation) (Phase 2) (Undergoing preparatory works)

Total Operating and Secured Daily MSW Processing Capacity

14,650 Tonnes

(as at 22 March 2016)



Qingyuan WTE plant (Planning)

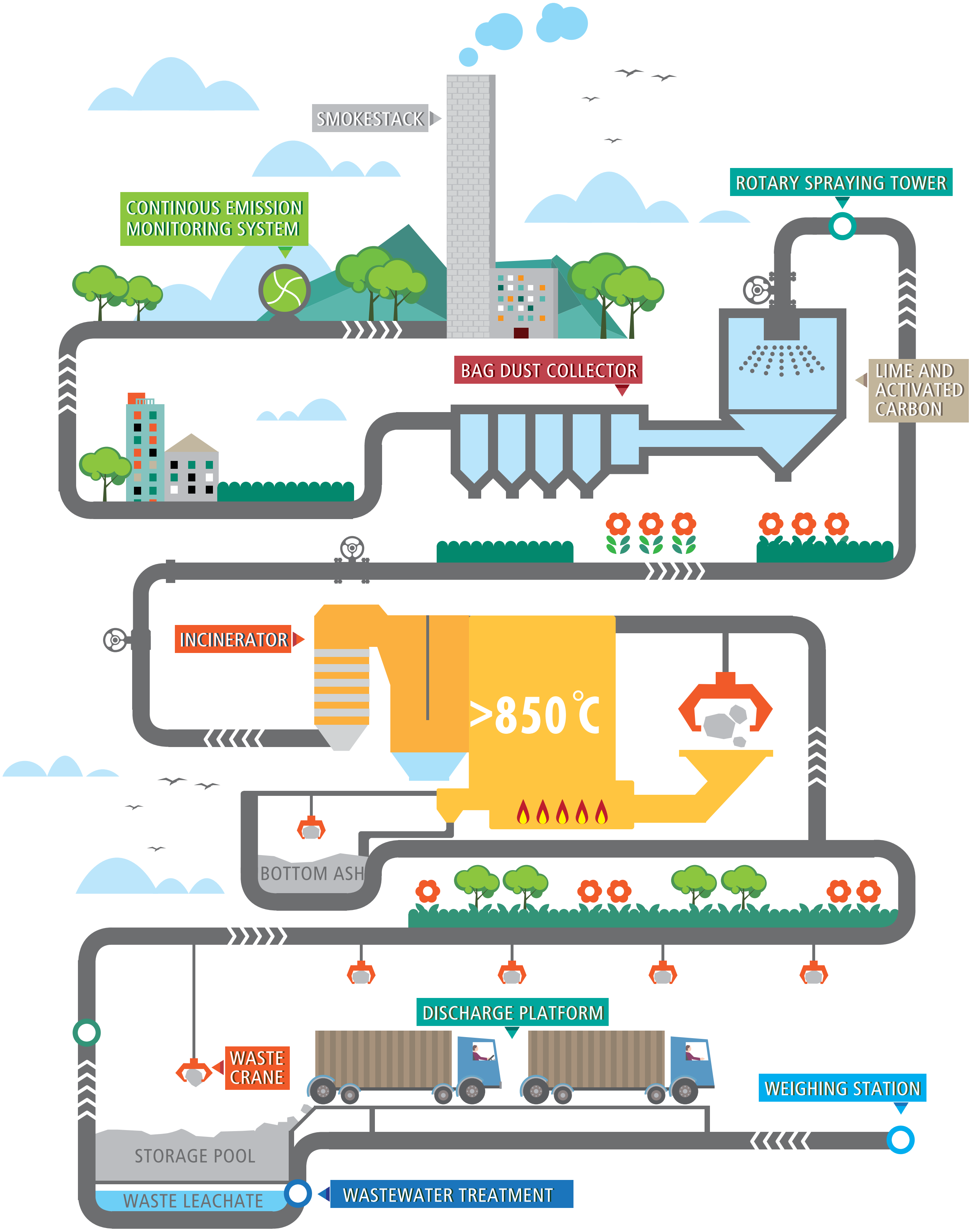
Zhanjiang WTE plant (Under development)

Laibin WTE plant (Phase 1 & 2) (In operation, will undergo technological upgrade)

Xingyi WTE plant (Phase 1) (Trial operation) (Phase 2) (Planning)

	Eco-Tech WTE plant (Phase 1)	Eco-Tech WTE plant (Phase 2)	Kewei WTE plant	China Scivest WTE plant (Phase 1)	China Scivest WTE plant (Phase 2)	Qingyuan WTE plant	Zhanjiang WTE plant	Laibin WTE plant (Phase 1 & 2)	Xingyi WTE plant
Location	Dongguan, Guangdong Province	Dongguan, Guangdong Province	Dongguan, Guangdong Province	Dongguan, Guangdong Province	Dongguan, Guangdong Province	Qingyuan, Guangdong Province	Zhanjiang, Guangdong Province	Laibin, Guangxi Zhuang Autonomous Region	Xingyi, Guizhou Province
Daily MSW processing capacity	1,800 tonnes (1,200 tonnes before technological upgrade)	1,500 tonnes	1,800 tonnes	1,800 tonnes	1,200 tonnes	Phase 1: 1,500 tonnes Phase 2: 1,000 tonnes	1,500 tonnes	After technological upgrade: Phase 1: 1,000 tonnes Phase 2: 500 tonnes (500 tonnes before technological upgrade)	Phase 1: 700 tonnes Phase 2: 350 tonnes
Installed power generation capacity	36MW	50MW	30MW	42MW	Planning	Planning	30MW	Phase 1: 24MW Phase 2: Planning	Phase 1: 12MW Phase 2: 6MW
Combustion technology	Moving grate (after technological upgrade) Fluidised bed (before technological upgrade)	Moving grate	Moving grate	Moving grate	Moving grate	Moving grate	Moving grate	Moving grate (after technological upgrade) Fluidised bed (before technological upgrade)	Moving grate
Business model	BOO	BOO	BOO	BOT	BOT	BOT	BOT	BOT	BOT
Concession period	N/A	N/A	N/A	24 years (from 10 December 2004 to 30 November 2028)	Under negotiation	30 years after passing the environmental impact assessment	28 years (from 18 April 2013 to 17 April 2041)	Until April 2042	30 years commencing from the date of formal commissioning
Waste treatment fee	RMB 110 / tonne	RMB 110 / tonne	RMB 110 / tonne	RMB 110 / tonne	RMB 110 / tonne	RMB 50 / tonne (Under negotiation)	RMB 81.8 / tonne	RMB 95 / tonne	RMB 80 / tonne
Status	Trial operation	Undergoing preparatory works	Commercial operation	Commercial operation	Planning	Planning	Under development (Expect to commence trial operation in the first half of 2016)	In operation (will undergo technological upgrade)	Phase 1: Trial operation Phase 2: Planning

WTE Process


SMOKESTACK
ROTARY SPRAYING TOWER
CONTINOUS EMISSION MONITORING SYSTEM
BAG DUST COLLECTOR
LIME AND ACTIVATED CARBON
INCINERATOR
>850℃
BOTTOM ASH
DISCHARGE PLATFORM
WASTE CRANE
WEIGHING STATION
STORAGE POOL
WASTE LEACHATE
WASTEWATER TREATMENT

Revenue and profit for the year were HK$1,184.5 million and HK$288.9 million, an increase of 49.2% and 38.7% respectively from last year

Implemented innocuous treatment of waste volume amounted to

1,504,558

tonnes

Generated

657,197,000

kWh

from green energy

Reduced emission of carbon dioxide by

709,773

tonnes

Management Discussion and Analysis

During the year, the central government promulgated various policies to strengthen environmental protection and reduce the on-grid tariff of coal-fired power plants, all resulting adverse impact to the WTE plants. By increasing the efficiency of our operating capability, the Group recorded satisfactory results for the year ended 31 December 2015.

Overall Performance

For the year ended 31 December 2015, the Group's revenue was HK$1,184.5 million (2014: HK$794.0 million), representing an increase of 49.2% over 2014. The operating profit and profit for the year were HK$381.2 million (2014: HK$297.4 million) and HK$288.9 million (2014: HK$208.4 million), representing an increase of 28.1% and 38.7%, respectively. Profit attributable to equity holders of the Company was HK$272.0 million (2014: HK$191.0 million), representing an increase of 42.4% over the last year. Basic earnings per share was HK13.6 cents (2014: HK12.7 cents), representing an increase of 7.1% over the last year.

During the year, the Group implemented innocuous treatment of waste volume amounted to 1,504,558 tonnes. The Group generated 657,197,000 kWh from green energy, saving 262,879 tonnes of standard coal and reducing emission of carbon dioxide by 709,773 tonnes.

Processing Capacity Expansion

Operating Processing Capacity

In year 2015, the operating processing capacity of the Group increased from 3,600 tonnes to 5,400 tonnes, representing an increase of 50%.

Total Processing Capacity

As at the end of 2015, the operating processing capacity and the processing capacity of secured contracts reached 12,400 tonnes, representing an increase of approximately 80% over the last year.

As at the date of this annual report, with the approved expansion of China Scivest and acquisition of Xingyi Hongda project, the total operating and secured capacity of the Group is further increased to 14,650 tonnes. With the conditional award of the Beiliu WTE project, the total processing capacity of the Group will further increase to 15,700 tonnes, subject to final terms.

Projects

Overall

As at 22 March 2016, the Group holds 10 projects with a total processing capacity of 14,650 tonnes. In year 2015, the Group extended the geographical coverage from Guangdong Province to Guangxi Zhuang Autonomous Region and Guizhou Province.

Kewei WTE plant and China Scivest WTE plant continued to contribute to the Group in a significant way in 2015.

Guangdong Province

Eco-Tech WTE plant commenced technological upgrade since April 2014 and resumed trial operation in August 2015. Since then it started to make revenue contribution to the Group. In January 2015, the Group was informed by Dongguan Municipal Administration that Eco-Tech WTE plant could expand the installed daily MSW processing capacity by an additional 1,500 tonnes. The expansion is expected to commence construction in the first half of 2016.

In August 2015, Yi Feng acquired the entire issued share capital of Celestial Jade. It holds a concession right to construct a WTE plant in Qingyuan City, Guangdong Province through its subsidiaries. This project is currently under planning. As at the date of this annual report, the transaction has been completed and Celestial Jade is a wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 24 August 2015 for further details.

In December 2015, the Group was informed by Dongguan Municipal Administration that China Scivest WTE plant could expand its daily MSW processing capacity by an additional product line of 1,200 tonnes and establish an integrated site for environmental public awareness in Dongguan. The Group is conducting feasibility studies on the capacity expansion.

Zhanjiang WTE plant is undergoing testings and is expected to commence trial operation in the first half of 2016. In April 2015, the Group was informed by Zhanjiang Development and Reform Commission that Zhanjiang WTE plant should develop the first and second phases simultaneously. In May 2015, the Group acquired the remaining 45% equity interests in Zhanjiang Yuefeng with an aim to enhancing project management and receive stable revenue from its WTE plant. As at the date of this annual report, the transaction has been completed and Zhanjiang Yuefeng is a wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 12 May 2015 for further details.

Guangxi Zhuang Autonomous Region

In May 2015, Kewei acquired 100% equity interest in Laibin Zhongke. As at the date of this annual report, the transaction has been completed and Laibin Zhongke is a wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 26 May 2015 for further details. Laibin Zhongke operates a WTE plant in Laibin city, Guangxi Zhuang Autonomous Region based on a BOT concession right. Furthermore, in June 2015, Kewei entered into an investment framework agreement with the Municipal Government of Laibin City (來賓市人民政府), granting Kewei the right to expand the daily MSW processing capacity of the Laibin Zhongke WTE plant to a maximum of 1,500 tonnes in two phases. The project is expected to commence construction in the first half of 2016. Please refer to the announcement of the Company dated 26 June 2015 for further details.

On 10 March 2016, Kewei was conditionally awarded the BOT concession right in relation to the Beiliu WTE project by Beiliu Municipal Bureau of City Administration and Law Enforcement. A framework agreement was entered in this regard. Pursuant to the framework agreement, the daily MSW processing capacity of Beiliu WTE plant would be 1,050 tonnes. As at the date of this annual report, no concession agreement has been entered into. Please refer to the announcement dated 10 March 2016 for further details.

Management Discussion and Analysis

Guizhou Province

In November 2015, the Company entered into a letter of intent in relation to the proposed acquisition of 100% equity interest in Xingyi Hongda. In January 2016, Kewei acquired 100% equity interest in Xingyi Hongda at a consideration of RMB110,000,000 (approximately HK$130,900,000). Xingyi Hongda currently operates a WTE plant in Xingyi City, Guizhou Province. As at the date of this annual report, the transaction has yet to be completed. Please refer to the announcement of the Company dated 26 January 2016 for further details.

The following table sets forth the operational details of each WTE plant:

Location	Project(s)	Year ended 31 December 2015	2014
Guangdong Province	**Eco-Tech WTE plant** *(Note 3)*		
	Waste treatment		
	Received MSW *(tonnes)*	**201,152**	104,423
	Processed MSW *(tonnes) (Note 1)*	**191,706**	107,950
	Power generation		
	Power generated *(MWh)*	**89,000**	69,634
	Power sold *(MWh)*	**78,500**	58,638
	Sales to generation ratio *(Note 2)*	**88.2%**	84.2%
	Kewei WTE plant		
	Waste treatment		
	Received MSW *(tonnes)*	**576,207**	563,441
	Processed MSW *(tonnes) (Note 1)*	**577,611**	540,900
	Power generation		
	Power generated *(MWh)*	**249,476**	239,903
	Power sold *(MWh)*	**221,272**	208,374
	Sales to generation ratio *(Note 2)*	**88.7%**	86.9%
	China Scivest WTE plant		
	Waste treatment		
	Received MSW *(tonnes)*	**711,935**	720,672
	Processed MSW *(tonnes) (Note 1)*	**683,011**	671,339
	Power generation		
	Power generated *(MWh)*	**297,322**	289,135
	Power sold *(MWh)*	**261,140**	258,189
	Sales to generation ratio *(Note 2)*	**87.8%**	89.3%
Guangxi Zhuang Autonomous Region	**Laibin Zhongke WTE plant** *(Note 4)*		
	Waste treatment		
	Received MSW *(tonnes)*	**54,873**	N/A
	Processed MSW *(tonnes) (Note 1)*	**52,230**	N/A
	Power generation		
	Power generated *(MWh)*	**21,399**	N/A
	Power sold *(MWh)*	**15,568**	N/A
	Sales to generation ratio *(Note 2)*	**72.8%**	N/A
Total	***Waste treatment***		
	Received MSW *(tonnes)*	**1,544,167**	1,388,536
	Processed MSW *(tonnes) (Note 1)*	**1,504,558**	1,320,189
	Power generation		
	Power generated *(MWh)*	**657,197**	598,672
	Power sold *(MWh)*	**576,480**	525,201
	Sales to generation ratio *(Note 2)*	**87.7%**	87.7%

Note 1: Processed waste excludes leachate generated from the MSW that the Group collects.

Note 2: The difference between the power generated and the power sold is attributable to various factors, including but not limited to internal power usage and transmission losses.

Note 3: The operation of our Eco-Tech WTE plant has been suspended for its technological upgrade since April 2014 and it resumed trial operation in August 2015.

Note 4: Laibin Zhongke was acquired and its results was accounted for as part of the Group's results since 14 August 2015; therefore the business operations of Laibin Zhongke WTE plant prior to 14 August 2015 was not presented as part of our Group's operations.

Revenue

During the year, the Group's revenue reached HK$1,184.5 million, representing an increase of 49.2% when compared with HK$794.0 million in year 2014. It was mainly attributable to the construction revenue and finance income arising from BOT arrangement relating to Zhanjiang WTE plant, the increase in revenue from power sales and revenue from waste treatment fees contributed by Eco-Tech WTE plant after it resumed trial operation in August 2015, and the consolidation of Laibin Zhongke WTE plant starting from 14 August 2015.

The following table sets forth the breakdown of the revenue for the years ended 31 December 2015 and 2014:

	Year ended 31 December			
	2015		2014	
	HK$'000	**%**	HK$'000	%
Revenue from power sales	**376,211**	**31.8%**	349,149	44.0%
Revenue from waste treatment fees	**204,917**	**17.3%**	192,797	24.3%
Construction revenue arising from BOT arrangement	**583,328**	**49.2%**	247,763	31.2%
Finance income arising from BOT arrangement	**20,080**	**1.7%**	4,258	0.5%
Total	**1,184,536**	**100.0%**	793,967	100.0%

The following table sets forth the revenue generated for each of the WTE plants for the years ended 31 December 2015 and 2014:

	Year ended 31 December			
	2015		2014	
	HK$'000	**%**	HK$'000	%
Eco-Tech WTE plant	**78,463**	**6.6%**	50,761	6.4%
Kewei WTE plant	**223,908**	**18.9%**	219,976	27.7%
China Scivest WTE plant	**268,447**	**22.7%**	271,209	34.2%
Zhanjiang WTE plant	**600,799**	**50.7%**	252,021	31.7%
Laibin Zhongke WTE plant	**12,919**	**1.1%**	N/A	N/A
Total	**1,184,536**	**100.0%**	793,967	100.0%

Cost of Sales

Cost of sales primarily consists of cost of fuels, maintenance cost, depreciation and amortisation, staff cost and employee related benefit expenses, environmental protection expenses and construction cost.

During the year, cost of sales increased by 65.0% from HK$451.6 million in year 2014 to HK$745.2 million in year 2015. The increase was mainly attributable to the construction cost incurred from the undergoing work at Zhanjiang WTE plant and the increase in operating cost after the resumption of operation of Eco-Tech WTE plant. In particular, construction cost increased from HK$206.5 million in year 2014 to HK$486.1 million in year 2015, and representing 65.2% of the total cost of sales in year 2015.

Gross Profit and Gross Profit Margin

In year 2015, gross profit of the Group amounted to HK$439.3 million, representing an increase of 28.3% as compared to HK$342.3 million in year 2014. The increase in gross profit was mainly attributable to gross profit from the construction of Zhanjiang WTE plant and contribution from the operation of Eco-Tech WTE plant after its technological upgrade.

The following table sets forth the breakdown of the gross profit by nature for the years ended 31 December 2015 and 2014:

	Year ended 31 December			
	2015		2014	
	HK$'000	**%**	HK$'000	%
Power sales and waste treatment operations	**322,022**	**73.3%**	296,769	86.7%
Construction service arising from BOT arrangement	**97,222**	**22.1%**	41,294	12.1%
Finance income arising from BOT arrangement	**20,080**	**4.6%**	4,258	1.2%
Total	**439,324**	**100.0%**	342,321	100.0%

Gross profit margin of the Group decreased from 43.1% in year 2014 to 37.1% in year 2015. The decrease was due to generally lower gross profit margin of construction revenue from Zhanjiang WTE plant than of revenue from power sales and waste treatment of waste incineration.

The following table sets forth the breakdown of the gross profit margin by nature for the years ended 31 December 2015 and 2014:

	Year ended 31 December	
	2015 Gross profit margin	2014 Gross profit margin
Power sales and waste treatment operations	**55.4%**	54.8%
Construction service arising from BOT arrangement	**16.7%**	16.7%
Finance income arising from BOT arrangement	**100.0%**	100.0%
Gross profit margin of the Group	**37.1%**	43.1%

General and Administrative Expenses

General and administrative expenses mainly comprised of staff cost and employee related benefit expenses for administrative personnel, promotion, entertainment and travelling expenses, depreciation and amortisation, rental expenses for offices, listing expenses, security expenses, office expenses and others.

During the year, general and administrative expenses increased by 15.4% from HK$96.7 million in year 2014 to HK$111.6 million in year 2015. The increase in the expenses was mainly due to the increase in staff cost as a result of the increase of the number of staff, operating expenses for listed company and the expense relating to the Group's share options scheme.

Other Income

Other income mainly consisted of VAT refund, government grants and others. During the year, other income decreased by 4.5% from HK$51.5 million in year 2014 to HK$49.2 million in year 2015. The decrease was mainly due to the claim for 2013 VAT refund related to Kewei being received in full in the first half of year 2014, while there was no such adjustments in year 2015, VAT refund related to Eco-Tech was received in year 2014, while there was no such VAT refund in year 2015, and VAT refund related to China Scivest only began in year 2015.

Other Gain, Net

Other net gain mainly represented net exchange gain. Other net gain of the Group increased from HK$0.4 million in year 2014 to HK$4.3 million in year 2015. It was mainly attributable to the increase in exchange gain from Renminbi in the year 2015 and the absence of significant loss on disposal of property, plant and equipment in year 2015.

Interest Expense, Net

Net interest expense mainly consisted of interest expenses on borrowings from banks, net of interest income from bank deposits. During the year, the net interest expenses decreased from HK$61.8 million in year 2014 to HK$51.4 million in year 2015. The decrease in interest expenses was mainly due to the increase in interest income, repayment of bank borrowings during the year, reduction of the interest rate in the PRC and certain interest expenses being eligible to capitalise.

Income Tax Expense

During the year, income tax expenses increased from HK$27.3 million in year 2014 to HK$40.9 million in year 2015. It was mainly attributable to the deferred income tax incurred by the construction of Zhanjiang WTE plant.

Profit Attributable to The Equity Holders of the Company

During the year, profit attributable to the equity holders of the Company increased by 42.4%, from HK$191.0 million in year 2014 to HK$272.0 million in year 2015.

Liquidity, Financial and Capital Resources

Financial resources

During the year, the Group generated HK$311.5 million cash from operating projects (year 2014: HK$308.0 million). Net cash used for the construction of Zhanjiang WTE plant amounted to HK$343.0 million under BOT arrangement (year 2014: HK$106.4 million), as a result, total net cash used in operating activities amounted to HK$31.5 million during the year (year 2014: generated HK$201.6 million).

The Group generated cash flow through operating activities and loan facilities from banks. As at 31 December 2015, total cash and cash equivalents of the Group were HK$449.1 million (31 December 2014: HK$1,328.2 million). The Group pursues a prudent approach to balance the risk level and costs of capital. The Group has adequate financial resources to meet the future funding requirements for project development.

Use of Net Proceeds from Initial Public Offering

The Company raised a total of HK$1,165.0 million in gross proceeds after the completion of the initial public offering in December 2014, and net proceeds amounted to HK$1,068.5 million after deducting various professional expenses incurred in connection with the initial public offering. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 15 December 2014, and the respective use of the net proceeds for the year ended 31 December 2015 was as follows:

	Available HK$'000	Used HK$'000	Unused HK$'000
Expand WTE business by developing greenfield projects or acquiring existing WTE plants	812,095	746,271	65,824
Development of phase two of Zhanjiang WTE Plant	149,596	70,313	79,283
Working capital and other general corporate purposes	106,855	68,183	38,672
Total	1,068,546	884,767	183,779

Borrowings

The Group sensibly diversifies its funding sources to optimise the debt portfolio and lower the financing cost. As at 31 December 2015, the Group's bank borrowings was HK$1,419.9 million (31 December 2014: HK$1,028.7 million). Such bank borrowings were secured by rights to collect revenue from power sales and waste handling services, bank deposits, land use rights, property, plant and equipment, concession rights and corporate guarantees. The borrowings were denominated in Renminbi and were at floating interest rates.

Net asset of the Group was HK$2,334.4 million (31 December 2014: HK$2,418.0 million). It is attributable to the impact of the change in exchange rate between RMB and Hong Kong dollars.

The following table sets forth the analysis of the borrowings as at 31 December 2015 and 2014:

	As at 31 December	
	2015 **HK$'000**	2014 HK$'000
Portion of term loans due for repayment after one year – secured	**1,098,852**	776,110
Portion of term loans due for repayment within one year – secured	**321,043**	252,576
Total bank borrowings	**1,419,895**	1,028,686

The following table sets forth the analysis of the long-term borrowings as at 31 December 2015 and 2014:

	As at 31 December	
	2015	2014
	HK$'000	HK$'000
Wholly repayable within five years	**449,546**	432,888
Not wholly repayable within five years	**970,349**	595,798
Total bank borrowings	**1,419,895**	1,028,686

The gearing ratio is the ratio of total liabilities divided by total assets. As at 31 December 2015, the gearing ratio was 47.8% (31 December 2014: 35.8%).

As of 31 December 2015, the Group had banking facilities in the amount of HK$1,762.3 million, of which HK$342.4 million remained unutilised. The banking facilities were denominated in Renminbi and Hong Kong dollars and were at floating interest rates.

Cost of Borrowings

For the year ended 31 December 2015, the total cost of borrowings of the Group was HK$63.3 million (year 2014: HK$67.3 million), representing a decrease of HK$4.0 million. The decrease was mainly attributable to the lower of loan interest rate together with the repayment of bank loans and certain interest expenses being eligible to capitalise. Effective interest rate ranged from 5.15% to 6.90% in year 2015, and was from 6.08% to 7.36% in year 2014.

Foreign Exchange Risk

Major operating subsidiaries of the Group were operating in the PRC with transactions mainly settled in Renminbi, being the functional currency of such subsidiaries. Moreover, bank deposits of the Group were denominated in Hong Kong dollars, Renminbi and United States dollars while bank loans were denominated in Renminbi. Save as disclosed above, the Group did not have any material exposures to foreign exchange risk. The Group does not have any financial instruments for the purpose of hedging. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings and bank deposits.

Commitments

As at 31 December 2015, the Group had capital commitments authorised but not contracted for amounted to HK$1,225.9 million (31 December 2014: Nil) and capital commitments contracted for but not yet provided for in the consolidated financial statements amounted to HK$348.2 million (31 December 2014: HK$942.1 million).

As at 31 December 2015, the future aggregate minimum lease payments under non-cancellable operating leases in respect of premises and other equipment amounted to HK$14.2 million (31 December 2014: HK$2.2 million).

Material Acquisition and Disposal of Subsidiaries, Plan for Significant Investment or Acquisition of Capital Assets in the Future

In May 2015, Kewei acquired the remaining 45% equity interest in Zhanjiang Yuefeng. As at the date of this annual report, the transaction has been completed and Zhanjiang Yuefeng is a wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 12 May 2015 for further details.

In May 2015, Kewei acquired 100% equity interest in Laibin Zhongke. Laibin Zhongke currently operates a WTE plant under a BOT concession right in Laibin City, Guangxi Zhuang Autonomous Region. In addition, in June 2015, Kewei entered into an investment framework agreement with the Municipal Government of Laibin City, pursuant to which Kewei could expand the daily MSW processing capacity of Laibin Zhongke WTE plant to 1,500 tonnes by two phrases. Upon the first phase being put into operation, the plant would have a daily MSW processing capacity of 1,000 tonnes, and an additional 500 tonnes following the completion of second phase. As at the date of this annual report, the transaction has been completed and Laibin Zhongke is a wholly-owned subsidiary of the Company. Please refer to the respective announcements of the Company dated 26 May 2015, 26 June 2015 and 14 August 2015 for further details.

In August 2015, Yi Feng acquired the entire issued capital of Celestial Jade. Celestial Jade holds the concession right to construct a WTE plant in Qingyuan City, Guangdong Province through its subsidiaries. As at the date of this annual report, the transaction has been completed and Celestial Jade is a wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 24 August 2015 for further details.

In November 2015, the Company entered into a letter of intent in relation to the acquisition of 100% equity interest in Xingyi Hongda. In January 2016, Kewei acquired 100% equity interest in Xingyi Hongda, which operates a WTE plant in Xingyi City, Guizhou Province. As at the date of this annual report, the transaction has yet to be completed. Please refer to the announcement of the Company dated 26 January 2016 for further details.

Save as disclosed above and in the relevant announcements of the Company, during the year ended 31 December 2015, the Group did not have any material acquisition or material disposal of subsidiaries or significant investment. Save as disclosed in relevant announcements, the Group has no plan for significant investment or acquisition of material capital assets.

Capital Expenditures

For the year ended 31 December 2015, capital expenditure of the Group, mainly consisted of expenditures on equipment purchase and construction costs relating to service concession arrangements, amounted to HK$1,019.8 million (year 2014: HK$315.9 million). It was mainly funded by bank borrowings, funds generated from operating activities and net proceeds from the initial public offering.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2015.

Pledge of Assets

As at 31 December 2015, the Group pledged certain of its rights to collect revenue from power sales and waste handling services, land use rights, property, plant and equipment, concession rights and bank deposits, with an aggregate carrying amount of HK$1,575.6 million (year 2014: HK$1,349.4 million), to certain banks to secure certain credit facilities granted to the Group.

Human Resources

As at 31 December 2015, the Group employed a total of 549 employees, 12 of them were at management level. By geographical locations, it had 530 employees in the PRC and 19 employees in Hong Kong. Employees are remunerated according to their qualifications, working experience, job nature and performance with reference to market conditions. The Group also maintained medical insurance and mandatory provident fund scheme for employees in Hong Kong.

The Company adopted a share option scheme on 7 December 2014 which became effective on 29 December 2014 (i.e. the Listing Date) and a summary of the principal terms of the share option scheme as set out in Appendix VI to the Prospectus. Under the share option scheme and at the discretion of the Board, share options might be granted as performance incentives to employees (including Directors). For details of such granted share options, please refer to the section headed "Report of the Directors" of this report. Total remuneration costs, including Directors' remuneration, for the year ended 31 December 2015 were HK$90.8 million (including fair value of share option granted of HK$5.8 million) (year 2014: HK$68.0 million).

Events after the balance sheet date

In January 2016, the Company entered into the convertible loan agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow the convertible loan in a principal amount of HK$465,012,000. As at the date of this annual report, no drawdown has been made yet. Please refer to the annual report of the Company dated 26 January 2016 for further details.

In January 2016, Kewei entered into an agreement in connection with the acquisition of 100% equity interest in Xingyi Hongda at a consideration of RMB110,000,000 (approximately HK$130,900,000). Xingyi Hongda currently operates a WTE plant in Xingyi City, Guizhou Province. As at the date of this annual report, the transaction has yet to be completed. Please refer to the announcement of the Company dated 26 January 2016 for further details.

In March 2016, Kewei was conditionally awarded the BOT concession right in relation to the Beiliu WTE project by Beiliu Municipal Bureau of City Administration and Law Enforcement. A framework agreement was entered in this regard. Pursuant to the framework agreement, the daily MSW processing capacity of Beiliu WTE plant would be 1,050 tonnes. As at the date of this annual report, no concession agreement has been entered into. Please refer to the announcement dated 10 March 2016 for further details.

Updates on China Scivest WTE Plant

Reference is made to the undertaking given by the Company on page 190 of the prospectus of the Company dated 15 December 2014. During the year ended 31 December 2015, the Group had proactively cooperated with the Dongguan Municipal People's Government and other related governing authorities in obtaining the construction related licenses and permits for China Scivest WTE plant. As at the date of this annual report, the Group is still in the progress of applying for such licenses and permits for China Scivest WTE plant.

Sustainability Report

The Group is fully committed to the environmental protection issue and therefore implemented various quality control standards and procedures for the equipment, work force and emissions at our operating WTE plants.

A. Environmental

Emissions

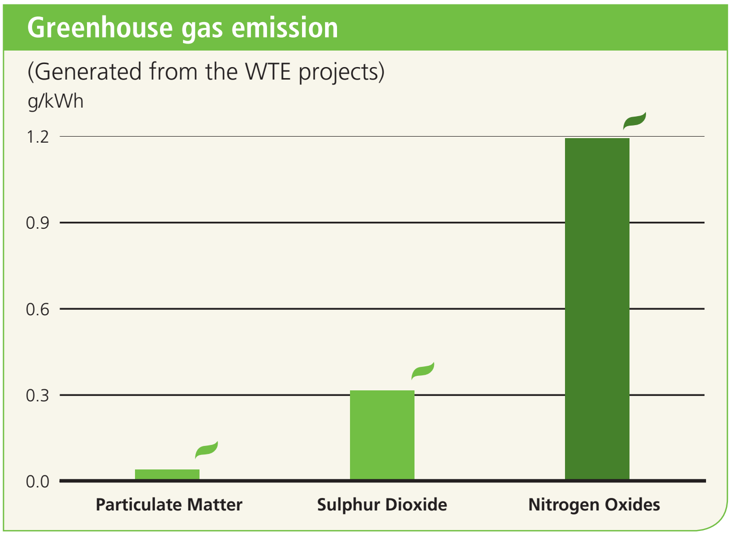
Major pollutants, which include flue gas, bottom ash and fly ash, are mainly generated from the operating plants of the Group. To fulfill the requirement pursuant to the "Standard for Pollution Control on the Municipal Solid Waste Incineration" (GB18485-2014) and the "Water Quality Standard for Industrial Uses" (GBT19923-2005), the Group implemented stringent emissions control measures to the operating plants.

Flue gas control measures

The Group's WTE plants utilise the selective non-catalytic reduction ("SNCR") system to treat flue gas produced from the incineration of MSW. The SNCR process can convert harmful nitrogen oxides to harmless atmospheric gases. The Group also employs techniques such as semi dry desulfurisation, rotary atomisers and granular activated carbon bag filters to remove harmful pollutants such as dioxins, smog, dust, sulphur dioxide, hydrochloric acid, hydrofluoric acid and heavy metals. Generally, new and operating plants must satisfy the Environmental Impact Assessment and PRC national standards and complied with the relevant laws and regulations all the time.

Greenhouse gas emission of our operating plants include particulate matter, sulphur dioxide and nitrogen oxides. For year 2015, the total emission of particulate matter, sulphur dioxide and nitrogen oxides are 27.3 tonnes, 207.6 tonnes and 784.0 tonnes respectively. The Group implemented innocuous treatment of waste volume amounted to 1,504,558 tonnes, generated 657,197,000 kWh from green energy, saving 262,879 tonnes of standard coal and reducing emission of carbon dioxide by 709,773 tonnes.

Greenhouse gas emission per kWh generated from the WTE projects are listed as follows:



Fly ash treatment measures

Fly ash produced during incineration is classified as hazardous waste. We engaged contractors to collect, transport and treat the fly ash. The treatment method involves the stabilisation/solidification of the fly ash and then disposal in a local landfill site for hazardous waste. The collection and transportation of fly ash should be done using sealed container and customized vehicle, and the procedure and data should be properly documented as required by the Environmental Protection Bureau. The treatment method is strictly managed by the local environment authority.

Solid waste treatment measures

Bottom ash produced after MSW incineration is collected by a contractor for further treatment as normal industrial solid waste. Sludge generated in the wastewater treatment process is dewatered by a sludge dewatering facility. Concentrated wastewater and the sludge cake may be further incinerated onsite. Scrap metal mixed in bottom ash are collected for recycling.

To lower the output of fly ash and solid waste, the Group will maximize efficiency and provide an optimal environment for our operating plants to achieve full combustion.

Wastewater treatment measures

Leachate generated from MSW is piped to a leachate treatment station and then treated through an up-flow anaerobic sludge bed, a membrane bio-reactor and nano-filtration. Wastewater may be further treated by reverse osmosis and hydrolytic acidification. The treated wastewater may be reused as circulatory cooling water inside the plant or discharged off site.

For year 2015, total amount of leachate treated was 75,692.3 tonnes.

Noise control measures

Each of our WTE plants has a list of ambient noise control measures, including:

– designing and constructing the main facilities to be as far away from office areas as possible in order to minimise noise influence;

– installing sound absorption devices in the staff centralised control room; and

– installing low noise equipment and a muffler for boiler exhaust steam and first and secondary air inlets.

Use of Resources

The Group uses coal, diesel, natural gas, water and electricity for the WTE process.

For year 2015, total coal, diesel and natural gas used by the Group amounted to 5,527.4 tonnes, 220.0 tonnes and 121.4 tonnes respectively. Total water used by the Group was 2,707,649 tonnes, or 0.004 tonnes per kWh. Total electricity used by the Group was 73,926,320 kWh. As our product is electricity and therefore no packaging materials is required.

We consumed water supplied by the government and processed the leachate. There is no special issue in sourcing water for production. To save water resources, the Group piped the leachate to the treatment station for treatment. All treated wastewater are used inside our operating plants. In addition, we encourage all employees to change their behavior to lower the usage of water and provide contribution to the world.

To save the usage of the coal, diesel and natural gas, the Group scheduled maintenance on a regular basis.

The Group implements energy saving exercise inside plants with an aim to reduce energy used internally.

The Environment and Natural Resources

The management of the Group not only focuses on the business development, but also cares about the environmental impact of WTE plants. As such, we will conduct impact assessments to the land, water, safety for earthquake, safety and hygiene for labour, etc. Online monitoring of air emission is in place to monitor the emission complies with relevant laws and regulations.

Generally, the Group will try the best to minimize the use of natural resources and focus on the WTE, with a purpose to bring green environment to the public.

B. Employment, Health and Safety

Pursuant to national and local health and safety laws and regulations in the PRC, we are required to provide a safe working environment to our employees. To this end, the Group has provided our employees with adequate protective clothing, masks and gear, work safety training, and have designated specific safety management personnel. The Group has issued and implemented various guidelines for managing possible accidents and disasters which may occur in our WTE plants, including but not limited to fire hazards, personal injuries, earthquakes and power outages. The aim of these guidelines is to minimize the occurrence of accidents and improve the efficiency of our responsive actions when accidents and disasters do occur.

The Group has implemented various measures to ensure the work safety of our employees, such as the automatic shutdown of machinery when they reach a certain pressure point, having a system in place to record accidents, and conducting regular inspection and maintenance checks on our facilities and equipment to ensure that they comply with the applicable national or industrial standards. The Group has placed various signs in our WTE plants to give our employees sufficient warnings and information about the hazards and dangers that exist in our working environment. The Group also issues guidance materials to our employees from time to time regarding work safety practices.

With the abovementioned measures, the Group can fulfill the health and safety control responsibility and comply with applicable national and local health and safety laws and regulations of the PRC. There was no work-related fatality in 2015.

Moreover, the Group provided a comfortable workplace to the employees, including but not limited to Wi-Fi service at different offices, snacks and fruits and gatherings.

Workforce

Employees are important assets to the Group. To maintain corporate sustainable development, the Group has provided comprehensive benefits, training and promotion opportunities to bring our staff an ideal working environment.

Staff breakdown by function in 2015

	China	Hong Kong	Total
Management	10	2	12
Financial	19	5	24
Technician	140	0	140
Business development	9	0	9
Procurement	11	0	11
Production	253	0	253
Others	88	12	100
	530	19	549

Staff breakdown by gender in 2015

	China	Hong Kong	Total
Male	423	8	431
Female	107	11	118
	530	19	549

Staff breakdown by age in 2015

	China	Hong Kong	Total
OVER 45	76	3	79
36-45	155	8	163
26-35	236	8	244
25 OR BELOW	63	0	63
	530	19	549

Emphasis on equal opportunities

The Group places great emphasis on equality of opportunity and strictly complied with relevant laws and regulations of the PRC and Hong Kong, so as to protect any staff from discrimination in all aspects of employment due to factors such as gender, marital status, pregnancy, disability, family status and ethnicity.

Development and training

To provide up-to-date knowledge to the employees, the Group continues to provide training, including on-the-job training, coaching, lectures, outdoor training, etc.

Labour Standards

The Group strictly prohibits the employment of child and forced labour to comply with the relevant laws and regulations of the PRC. Administration department of the plant will monitor the recruitment process to eliminate the employment of child and forced labour.

Supply Chain Management

The Group place importance on managing environmental and social risks of the supply chain. Waste collection is handled by the local government. All waste are collected by sealed garbage truck to minimize the impact to the environment. Moreover, we will have regular meetings with the local government to communicate about the transport of the waste.

The Group implemented quality control procedures for third-party contractors and suppliers, such as:

– Major contracts with third parties are executed after tender processes;

– Contractors and suppliers are contractually required to adhere to our quality control measures and standards; and

– Our on-site management team monitor the materials supplied to the Group and the work carried out by the contractors and their subcontractors.

Product Responsibility

Our product is electricity and the Group must comply with the relevant laws and regulation of the PRC, especially the requirements from the China Southern Power Grid and the State Grid.

Anti-corruption

The Group forbids activities in relation to bribery, extortion, fraud and money laundering. During the year 2015, no concluded legal cases regarding corrupt practices were brought against the Group.

The Group adopted a whistle-blowing policy since the Listing Date. Staff can report to the audit committee or the corporate governance committee of suspected activities. Committees will conduct internal investigations, appoint external auditors or report the cases to regulatory authorities if needed.

Community Investment

As a responsible corporate citizen, the Group commits to provide contribution to the community. The Group's WTE plant, China Scivest, invites the public to visit the plant on a monthly basis and share the experience in environmental protection issues to raise the environmental awareness of the public in the community.

For year 2015, a total of 3,007 people visited the China Scivest WTE plant.

Risks and uncertainties

The Board and audit committee work with an external professional party to identify, monitor and formulate plans to mitigate potential risks and uncertainties that materially affect the business of the Group.

Major identified risks and uncertainties are listed as follows:

Risks	Nature
Strategy	
Business geographical concentration	If business is highly concentrated in one place where natural hazards or market recession happen, the assets and property of the Group may be subject to serious losses and damages, and its overall business and operating results may be materially and adversely affected.
Public perception	The negative public perception of the WTE projects may materially and adversely affect the business, financial position and operating results.
Compliance	
Operation compliance	If the Group fails to obtain necessary certificates, licenses, permits or governmental approval or fails to comply with various laws and regulations in respect of its business operation, the business, financial position and operating results of the Group may be adversely affected. If there is any change to the permits, approval, laws or regulations, the Company may be required to pay additional costs or to make additional investments.
Franchise agreement	The operation projects are subject to stringent contractual obligations and any non-compliance with any provisions of agreements may cause the Group to be penalized or agreements to be terminated.
Compliance with the Listing Rules	If the Company fails to comply with the Listing Rules of the Main Board of Hong Kong Stock Exchange or other relevant laws, its reputation and daily operation would be affected.

Risks	Nature
Operation	
Technological evolvement	The Group depends on the existing model and may not adapt to or make adjustment as the technology evolves. The Group may not obtain approval to upgrade its technology for any technological evolvement.
Contractors	The Group depends on independent contractors to develop new projects. If contractors fail to duly complete their projects, it may materially and adversely affect our operating results. If the Group fails to manage its contractors in an appropriate manner, it may differ the scope of work of the external contractors from the scheduled targets and cause the final result to deviate from the strategy of the Group.
Operational efficiency	The assets of the Group are exposed to risk factors and its operation may be exposed to various interferences and risks, which may cause our operation performance falling below the anticipated standard of products or efficiency level and lead to an adverse effect on the Group.
Equipment maintenance and failure	The Group depends on heavy machinery and equipment for its daily operation. If parts of equipment are required for replacement, and when it is difficult to or failed to find suitable parts of equipment for replacement, or when malfunction equipment or failure procedure occurs, or when human errors and accidents appear, it may materially or adversely affect the operation of the Group.
Finance	
Financial budget	The Group is exposed to various risk factors and operational risks, which may lead to unexpected costs and over-expenditure (e.g. the fines imposed due to damages or losses suffered by third parties during the normal course of business).

Corporate Governance Report

The Company pursues good corporate governance practices and procedures, and considers them crucial in maintaining and building our brand, maximizing the profit of the Group and enhancing the long-term benefits for the Group as well as its shareholders. As such, the Company has adopted the CG Code.

Maintaining a high level of corporate governance can showcase the Group's high standard of credibility and transparency. It can strengthen the confidence of the shareholders and the public.

During the year ended 31 December 2015, the Company has complied with most of the code provisions as set out in the CG Code, save and except for code provision A.6.7 which states that independent non-executive Directors and other non-executive Directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Professor Sha Zhenquan, an independent non-executive Director, was absent from the annual general meeting of the Company held on 16 June 2015 for other engagements.

The Board

Role of the Board

Except for matters requiring shareholders' approval in accordance with the constitutional documents of the Company, the Listing rules, other applicable laws and regulations, the Board, which is the ultimate decision making body of the Company, directs and approves the overall strategies of the Group.

Board composition

During the year ended 31 December 2014 and up to the date of this annual report, the Board comprises the following directors:

Name of Directors	Title	Appointment Date
Lee Wing Yee Loretta	Executive Director and Chairlady	28 January 2014
Lai Kin Man	Executive Director and Deputy Chairman	10 February 2014
Yuan Guozhen	Executive Director and Chief Executive Officer	24 September 2014
Lai Chun Tung	Executive Director	24 September 2014
Lui Ting Cheong Alexander	Non-executive Director	24 September 2014
Lai Yui	Non-executive Director	24 September 2014
Sha Zhenquan	Independent Non-executive Director	7 December 2014
Chan Kam Kwan Jason	Independent Non-executive Director	7 December 2014
Chung Wing Yin	Independent Non-executive Director	7 December 2014

Relevant list of members of the Board has been published on the Company's website, the Hong Kong Stock Exchange's website and all corporate communications issued by the Company.

The Board is of the view that the composition of the Board and board committees can protect the interests of the shareholders and the Group.

Ms. Loretta Lee is the wife of Mr. CT Lai. Mr. KM Lai is a cousin of Mr. CT Lai and cousin-in-law of Ms. Loretta Lee. For further information on the relations and biographical details of each Director, please refer to pages 42 to 44 of this annual report.

With a view to achieving a sustainable and balanced development, the Directors recognise the diversity of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services as essential elements in supporting the attainment of its strategic objectives and its sustainable development. The Board is responsible for formulating the Group's overall strategies, making major corporate and operational decisions of the Group and presenting a clear guidance to the senior management. The senior management are responsible for supervising and executing the Board policies and strategies, as well as provision of updates on the Group's performance to the Board to enable the Board to deliver and discharge its duties.

Chairlady, Deputy Chairman and Chief Executive Officer

The role and division of responsibilities between the Chairlady, Deputy Chairman and Chief Executive Officer were clearly defined. Ms. Loretta Lee is the Chairlady, Mr. KM Lai is the Deputy Chairman and Mr. Yuan Guozhen is the Chief Executive Officer.

The Chairlady is responsible for formulating the Group's overall strategies and making major corporate and operational decisions of the Group. She also organises the works of the Board, ensures its effectiveness and instructs the company secretary from time to time to update the Directors with the Group's development situation and latest information or provisions relating to corporate governance so that the Directors can perform their duties. Meanwhile, the Chairlady will invite the Directors to jointly attend corporate activities from time to time to promote a favourable and constructive relationship between the Directors.

The Chief Executive Officer is authorised by the Board to lead the senior management to execute the overall strategies and manage the daily operation of the Group according to the objectives and directions determined by the Board. The position of the Chairlady and Chief Executive Officer are held by separate individuals to ensure the effective segregation of duties between the management of the Board and operation.

Independence of the Independent Non-executive Directors

During the year ended 31 December 2015 and up to the date of this annual report, the Board has complied with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, with at least one-third of the Board members being independent non-executive Directors, and at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive Director has confirmed to the Company of his independence under the standard set out in rules 3.13 of the Listing Rules, and the Company has also considered and confirmed their independence. By 31 December 2015, no independent non-executive Director has served the Company for more than 9 years.

Independent non-executive Directors are responsible for supervising and providing independent judgment to the Board with a view to protect the interests of the Group and the Shareholders of the Company as a whole. Independent non-executive Directors can also vote independently on matters where executive Directors shall abstain from voting when there are potential conflict of interests between executive Directors and the matter under consideration.

Appointment and re-election

Each Director has entered into a service agreement with the Company for a maximum period of three years and subject to re-election.

With the adoption of the amended and restated memorandum and articles of association, Directors newly appointed by the Board are subject to re-election at the first general meeting after the appointment.

Each Director has disclosed to the Company about the names, titles and nature of his/her positions held in public companies or organisations, prior to his/her acceptance of the appointment, and undertook to inform the Company of any relevant change in a timely manner. The Company also requires Directors to submit written confirmation or update on their biographical details, if any, every year, and set out the updated biographical details of Directors, if any, in this annual report.

Pursuant to requirements of the amended and restated articles of association of the Company, not less than one third of the Board members shall retire by rotation in annual general meeting and each Director shall retire by rotation once every three years and being entitled to re-election. Both names and biographical details of Directors eligible for re-election are set out in the circular of the Company for Shareholders to make informed decisions with grounds in the election of Directors. All Directors appointed to fill a casual vacancy or additional appointment will be subject to election by Shareholders at the forthcoming general meeting after their appointments and being entitled to re-election. Appointment of Directors of the Company shall be subject to a separate resolution to be approved by Shareholders.

Training and support for Directors

The Company recognises the importance of keeping the Directors updated with latest information relating to the discharge of his/her duties as director. As such, each newly appointed Director would receive an introductory training pack. The company secretary will also provide Directors with the latest information on Listing Rules and other applicable regulatory requirements from time to time, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintain records of the trainings attended by the Directors.

In addition, the Company provides monthly operational data, financial performance and position information to the Directors. Management will provide quarterly analysis reports to the Directors to ensure all of them know the development of the Company.

Name of Directors	Title	Type of trainings
Lee Wing Yee Loretta	Executive Director and Chairlady	A, B, C
Lai Kin Man	Executive Director and Deputy Chairman	A, B
Yuan Guozhen	Executive Director and Chief Executive Officer	A, B, C
Lai Chun Tung	Executive Director	A, B, C
Lui Ting Cheong Alexander	Non-executive Director	A, B, C
Lai Yui	Non-executive Director	A, B, C
Sha Zhenquan	Independent Non-executive Director	A, B
Chan Kam Kwan Jason	Independent Non-executive Director	A, B
Chung Wing Yin	Independent Non-executive Director	B

A: attending training organized by professional bodies

B: reading materials in relation to the update of the rules and regulations, and director's duties and responsibilities

C: attending site visit arranged by the Company

Board and board committee meetings

The Board meets at least four times each year and more as required. Directors may participate either in person or through electronic means of communication. The Chairlady met at least once annually with the non-executive Directors and independent non-executive Directors without the presence of the executive Directors.

Generally, the Board will determine the date of the following year's regular meetings on the last regular physical meeting during the year so as to ensure that all the Directors can schedule their respective timetable with an aim to allocate time to attend the meetings. The Company will also provide all the Directors with at least 14 working days' notice in respect of holding regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given. The company secretary will follow the instruction from the Chairlady to circulate the draft Board meeting agenda to all Directors for their perusal and comment 21 days before the meeting date. The Board meeting agenda will be signed and issued by the company secretary only after incorporating all comments from the Directors (if any). Meeting documents will normally be delivered to all Directors three working days before the meeting date, so as to ensure they are fully informed before the meeting.

Any matter involving material conflict of interest of substantial shareholders or Directors shall be subject to the consideration and approval by the Board members personally attending a Board meeting, or to be implemented and dealt with by a designated Board committee. Directors who have interest may attend a meeting but shall not be counted towards the quorum and Directors who have interest shall abstain from voting on the relevant matter. All Directors can require the company secretary to provide advice and service on relevant aspects, including the follow-up of or the provision of support to any matter; ensuring the Board procedures and all applicable rules and regulations are complied with.

The management will submit relevant reports and report the content to the Directors on every quarterly Board meeting, and will also submit last month's report on relevant financial and operational data of the Group at the beginning of every month, and other reports required by the Board from time to time to the Directors for their perusal and comment. The management will also give detailed explanation to any enquiry made by the Directors. Therefore, the Board may make informed assessment in respect of the financial and other information submitted to them for their approval.

The meeting minutes of the Board and its committees are drafted and kept by the company secretary. All meeting minutes will set out in detail the matters considered and decisions made at the meetings, including, among others, any queries made or views expressed by the Directors. Generally, the company secretary will distribute the first draft of the meeting minutes to all the relevant attending Directors for their comment within 14 working days after the end of the meetings of the Board and its committees. Having incorporated the comments of the Directors (if any), the finalised version of the meeting minutes signed by the chairperson of such meetings will be distributed by the company secretary to all relevant attending Directors for record-keeping purpose.

All the executive Directors and the independent non-executive Directors have allocated a reasonable amount of time to follow and deal with various affairs of the Company during the year.

During the year, the Board held a total of seven meetings. Each Director's attendance record is set out as follow:

	Number of attendance/meeting held in year 2015					
Name of Directors	The Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	General meeting
Lee Wing Yee Loretta	7/7	–	–	–	–	1/1
Lai Kin Man	7/7	–	–	–	–	0/1
Yuan Guozhen	7/7	–	–	–	–	1/1
Lai Chun Tung	7/7	–	–	–	–	0/1
Lui Ting Alexander	7/7	–	–	–	–	1/1
Lai Yui	7/7	–	–	–	–	1/1
Sha Zhenquan	7/7	3/3	1/1	2/2	1/1	0/1
Chan Kam Kwan Jason	7/7	3/3	1/1	2/2	1/1	1/1
Chung Wing Yin	7/7	3/3	1/1	2/2	1/1	1/1

Directors' securities transactions

The Company adopted the code of conduct regarding Directors' securities transactions set out in the Model Code and the Company has complied with the Model Code. After making specific enquiry, each Director has confirmed to the Company that he or she had complied with the Model Code for the year ended 31 December 2015.

The committees of the Board

The Board of the Company has established 4 committees namely the audit committee, the corporate governance committee, the nomination committee and the remuneration committee. The respective chairperson and majority of the members of each of the committees are independent non-executive Directors. Terms of reference of each of the committees are published on the corporate website (www.canvestenvironment.com) and the Hong Kong Stock Exchange's website (www.hkexnews.hk), and will be amended by the Board from time to time as and when appropriate.

Audit committee

The Company has set up an audit committee in compliance with rule 3.21 of the Listing Rules. The members of the audit committee comprise Mr. Chan Kam Kwan Jason, Professor Sha Zhenquan and Mr. Chung Wing Yin, and is chaired by Mr. Chan Kam Kwan Jason.

Main duties of the audit committee include (but without limitation): (i) assisting our Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group; (ii) overseeing the audit process; (iii) performing other duties and responsibilities as assigned by our Board; and (iv) considering and reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial function, and report to the Board. The audit committee, if necessary, may seek independent professional opinions when discharging their duties at the fees and expenses of the Company.

The audit committee has reviewed the Group's consolidated financial information for the year ended 31 December 2015.

During the year, the audit committee held 3 meetings in March, August and December respectively, the agenda of which is set out below:

– Reviewing annual results of 2014 and annual report of 2014, interim results of 2015 and interim report of 2015;

– Reviewing audit and review works reports of the auditors;

– Discussing and reviewing internal audit report, internal control system, risk management policy and report;

– Considering the re-appointment of external auditors of the Company; and

– Reviewing the resources of accounting and financial reporting functions of the Group.

The audit committee and the Board have no disagreement in relation to the recommendation of the re-appointment of PricewaterhouseCoopers as the external auditor.

External auditor

PricewaterhouseCoopers has been re-appointed as the auditor of the Group at the 2015 AGM. For the year ended 31 December 2015, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services are detailed as below:

	2015	2014
	HK$'000	HK$'000
Fee for audit services	**2,700**	1,500
Fee for non-audit services	**893**	98

Responsibility in financial statements

Directors have acknowledged their responsibilities for preparing the accounts in this annual report, and PricewaterhouseCoopers, the external auditor of the Group, has also stated their reporting responsibility in the auditor's report of the financial statements.

The Board is not aware of any uncertainty or conditions of a material nature that would affect the Company's ability to continue as a going concern.

Remuneration committee

The Company has set up a remuneration committee in compliance with rule 3.25 of the Listing Rules. The members of the remuneration committee comprise Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason and Mr. Chung Wing Yin, and is chaired by Professor Sha Zhenquan.

Main duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) recommending the terms of the specific remuneration package of each executive Director and senior management to the Board; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme. No Director should be involved in deciding his/her own remuneration.

During the year, the remuneration committee held 2 meetings in March and April, the agenda of which is set out below:

– Reviewing the remuneration adjustments of senior management in year 2015;

– Confirming the remuneration of executive Directors, non-executive Directors and independent non-executive Directors in 2014;

– Discussing and determining the recommendation to the Board in relation to remuneration of Directors in 2015; and

– Confirming and ratifying matters relating to Share Option Scheme matters.

The remuneration of members of the senior management of the Group by band for the year ended 31 December 2015 is set out below:

Remuneration	Number of person
Nil to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	7
HK$2,000,001 to HK$3,000,000	1

Nomination committee

The members of audit committee comprise Mr. Chung Wing Yin, Professor Sha Zhenquan and Mr. Chan Kam Kwan Jason and is chaired by Mr. Chung Wing Yin.

Main duties of nomination committee include (but without limitation): (i) reviewing the structure, size and composition of the Board, (ii) assessing the independence of independent non-executive Directors; and (iii) making recommendations to the Board on matters relating to the appointment of Directors.

The nomination committee has adopted a policy of diversity for memberships of the Board. It has considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The nomination committee, if necessary, may seek independent professional opinions when discharging their duties at the fees and expense of the Company.

An analysis of the current Board composition is set out in the following chart:

<table>
<tr><th colspan="10">Number of Directors</th></tr>
<tr><td></td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td></tr>
<tr><td>Gender</td><td>Female</td><td colspan="8">Male</td></tr>
<tr><td>Designation</td><td colspan="4">Executive Directors</td><td colspan="2">Non-executive Directors</td><td colspan="3">Independent Non-executive Directors</td></tr>
<tr><td>Age Group</td><td colspan="3">31-40</td><td colspan="5">41-50</td><td>51-60</td></tr>
<tr><td>Skill / Experience</td><td colspan="5">Experience in project development and general management</td><td colspan="2">Extensive experience in securities and investment industry</td><td>Extensive experience in accounts and financial services</td><td>Qualified lawyer</td></tr>
<tr><td>Length of Services</td><td colspan="7">Less than 2 years</td><td colspan="2">Less than 3 years</td></tr>
</table>

During the year, the nomination committee held a meeting and the agenda was mainly to consider the contribution to the Group by the retiring Directors, Mr. Lai Kin Man, Mr. Yuan Guozhen, Mr. Lai Chun Tung, Mr. Lui Ting Cheong Alexander, Mr. Lai Yui, Professor Sha Zhenquan and Mr. Chung Wing Yin, and advising the Board on the re-election of such retiring Directors at the 2015 AGM.

Corporate governance committee

The members of corporate governance committee comprise Mr. Chan Kam Kwan Jason, Ms. Loretta Lee, Professor Sha Zhenquan and Mr. Chung Wing Yin, and is chaired by Mr. Chan Kam Kwan Jason.

Main duties of the corporate governance committee include (but without limitation): (i) reviewing and assessing compliance with internal policies of our Group; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and developing our Company's policies and practices on corporate governance; and (iv) reviewing our Company's compliance with Appendix 14 to the Listing Rules.

During the year, the corporate governance committee held a meeting and the agenda was mainly to review the training record of the Directors and compliance with the CG Code and disclosure in the Corporate Governance Report.

Internal control

The Board is responsible for formulating proper internal control and risk management systems for the Group, and reviewing its effectiveness regularly through the audit committee.

The system of internal controls covers the areas of financial, accounting, operational, compliance and risk management of the Group's business.

The internal audit department of the Group works with the external professional consultancy company accountable and reports directly to the audit committee. It is responsible for constantly monitoring the work flow and risk assessment of each department of the Group, to assist the Board and senior management in complying with the regulatory requirements and guidelines, so as to improve the efficiency of the internal control system. Through continuous internal audit and reporting from time to time, the internal audit department will ensure the effective operation of the internal control system.

During the year, the audit committee reviewed and discussed the reports submitted by the internal audit department and external professional consultancy company and reported the results to the Board. Should any material fault or any material weakness in monitoring be found, the internal audit department and external professional consultancy company will report the same to the audit committee in timely manner. During the year, the audit committee and the Board considered that the internal control system of the Group worked effectively.

For risk management, the Board and the audit committee will review the Group's finance, operation and compliance, and risk management corresponding to the changes in its business and to cope with by discussing and formulating strategies, or measures. During the year, the audit committee also reviewed the risk management policy and the risk management report and reported the same to the Board.

Company Secretary

The company secretary is a full time employee of the Company and is familiar with the day-to-day operation of the Company's affairs. The company secretary reports to the Chairlady and is responsible for advising the Board on governance matters. During the year, the company secretary has confirmed that she has completed no less than 15 hours of relevant professional training. The biographical details of the company secretary is set out on page 45 of this annual report.

Shareholders' rights

Pursuant to article 12.3 of the amended and restated articles of association, general meetings of the Company shall be convened on the written requisition of any two or more Shareholders of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Pursuant to section 615 of the Companies Ordinance, Shareholders may request the Company to move a resolution at the annual general meeting. The request should be sent to the Company in hard copy form or in electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person or persons making it and must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate or (ii) if later, the time at which notice is given of that meeting and made by:

(a) the Shareholders representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or

(b) at least 50 Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

Shareholder(s) who wishes to propose a person (other than himself/herself) for election as a director of the Company at the general meeting shall lodge a written notice at the Company's Hong Kong office at Unit 6803B, 68/F., International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong for the attention of the company secretary of the Company.

The written notice must state (i) his/her intention to propose such person for election as a Director, and (ii) the contact details and biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules (including other directorships held in listed public companies in the last three (3) years and other major appointments and professional qualifications) and be signed by the shareholder concerned and the person be proposed to indicate his/her willingness to be elected and consent to the publication of his/her personal data.

The minimum length of the period for lodgement of the above notice shall be at least seven (7) days and the period for lodgement of the above notice shall commence no earlier than the despatch of the notice of the general meeting appointed for such election of Director and end no later than seven (7) days prior to the date of such general meeting. The relevant detailed procedures have been published on the Company's corporate website (www.canvestenvironment.com).

2015 Annual General Meeting

At the 2015 AGM, separate resolutions for each separate issue was proposed, including re-election of each retiring Director. All resolutions were duly passed by Shareholders by way of poll at the meeting. The Company announced the results of the poll in the manner prescribed under the Listing Rules. No other general meeting was held during year 2015.

Communication with Shareholders

The Company considers that good communications with the Shareholders is important in order to enable Shareholders and investors to have a better understanding of the businesses of the Group. Therefore, the Company has been reporting the performance and latest development of the Group to Shareholders through various channels and platforms, as follows:

– Apart from publishing the annual reports, interim reports, announcements, and circulars to Shareholders on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk), the Company had also posted onto its website the financial highlights, press release, and the terms of reference of the Board's committees, such that Shareholders can obtain more corporate information from the website of the Company;

– The Company is committed to improve its investor relations. During the year 2015 and up till now, the senior management of the Company had conducted various meetings with institutional investors, fund managers, and financial analysts;

– The Company also provides the investor relations contact information to the Shareholders for them to express their opinions and make enquiries. The details are set out on page 133 in the corporate information of this annual report;

– The Chairlady of the Board, the chairpersons of each audit committee, nomination committee and corporate governance committee, external auditor and legal advisors has attended 2015 AGM. In the general meeting, shareholders have the discussion with Chairlady on the business and development strategy of the Company. Poll results are posted on the Company's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk); and

– The Company's notice of 2016 annual general meeting had been despatched to Shareholders no less than 20 business days before the proposed date of the meeting. The company secretary is responsible for specifying the relevant procedures to the attending Shareholders to ensure that the Shareholders are familiar with the details of the procedures of voting by poll.

Constitutional documents

There have been no changes made to the Company's constitutional documents during the year.

The amended and restated memorandum and articles of association of the Company are available on the corporate website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkex.com.hk).

Directors' and Senior Management's Profile

Directors' Profile

Executive Directors

Ms. Lee Wing Yee Loretta (李詠怡), aged 41, was appointed as a Director on 28 January 2014 and re-designated as an executive Director and the chairlady of our Company on 24 September 2014. She joined our Group in November 2011 and is currently responsible for formulating our Group's overall strategies, and making major corporate and operational decisions of our Group. Ms. Loretta Lee served as an officer of the finance and human resource department of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1997 to September 2012 and the last position she held was manager of the finance and human resource department. The principal business of Dongguan Sanyang Industrial Development Co., Ltd included the trading of heavy oil. Ms. Lee obtained a higher diploma in Public Administration and Management from City University of Hong Kong in November 1997. Ms. Lee is the wife of Mr. CT Lai, and a cousin-in-law of Mr. KM Lai and Ms. Guo Huilian.

Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), aged 36, was appointed as a Director on 10 February 2014 and re-designated as an executive Director and the deputy chairman of our Company on 24 September 2014. He has been a director of Eco-Tech since June 2003 and a director of Kewei since October 2011. He is, alongside with the chairlady, responsible for formulating our Group's overall strategies and making major corporate and operational decisions of our Group. Before founding our Group, Mr. KM Lai worked at Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1998 to October 2002 and was responsible for business development. He served as the legal representative, chairman and general manager of Guangdong Canvest Investments Company Limited (廣東粵豐投資有限公司) (formerly known as Dongguan Canvest Industrial Investments Limited (東莞市粵豐實業投資有限公司)) from November 2002 to September 2011. Mr. KM Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in December 2008. Mr. KM Lai is a cousin of Mr. CT Lai and Ms. Guo Huilian, and a cousin-in-law of Ms. Loretta Lee.

Mr. Yuan Guozhen (袁國楨), aged 50, was appointed as an executive Director on 24 September 2014. Mr. Yuan is the Chief Executive Officer of our Group. He is responsible for executing the overall strategies and managing the daily operation of our Group. Mr. Yuan is a director of Eco-Tech since June 2003 and a director and general manager of Kewei since October 2011. He is also the legal representative and director of Zhanjiang Yuefeng and Canvest Consultancy since their respective establishment. He served as the executive deputy general manager of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1995 to July 2004 and was mainly responsible for assisting the general manager in the operation and management of the company. Mr. Yuan served as general manager of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司)) from July 2004 to September 2008. He served as the general manager of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Energy Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to December 2008. The principal business of Dongguan China Power New Energy Heat and Power Company Limited, a subsidiary of CPNE, includes natural gas power generation. Yunnan Shuang Xing Green Power Company Limited is also a subsidiary of CPNE and its principal business includes generation and sale of electricity. Mr. Yuan obtained an EMBA degree from South China University of Technology (華南理工大學) in June 2009.

Mr. Lai Chun Tung (黎俊東), aged 41, was appointed as an executive Director on 24 September 2014. Mr. CT Lai is the legal representative, general manager and a director of Eco-Tech since August 2007, a director of Kewei since February 2009, and a director of Zhanjiang Yuefeng since its establishment in April 2013. He is responsible for overseeing the overall strategies of our Group, and making major corporate and operational decisions of our Group. Mr. CT Lai is a member of the 10th and the 11th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會), and a standing member of the 12th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省東莞市委員會). Mr. CT Lai has worked at Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) since September 1997 and is currently its general manager. He has been a director of Dongguan Rural Commercial Bank Co., Ltd (東莞農村商業銀行股份有限公司) since December 2009. Mr. CT Lai obtained a higher diploma in Public Administration and Management from City University of Hong Kong in November 1997. Mr. CT Lai obtained an EMBA degree from South China University of Technology (華南理工大學) in December 2007. Mr. CT Lai is the husband of Ms. Loretta Lee, and a cousin of Mr. KM Lai and Ms. Guo Huilian.

Non-executive Directors

Mr. Lui Ting Cheong Alexander (呂定昌), aged 36, was appointed as a non-executive Director on 24 September 2014. He is a managing director of Olympus Capital Holdings Asia co-leading the environmental investment in Asia. He has been with Olympus Capital Holdings Asia since October 2008. From July 2009 to March 2010, Mr. Lui served as the interim chief financial officer of Zhaoheng Hydropower Holdings Limited (兆恒水電股份有限公司), a current Olympus Capital Holdings Asia portfolio company. Prior to joining Olympus Capital Holdings Asia, Mr. Lui worked at Merrill Lynch (Asia Pacific) Limited till August 2008. Mr. Lui graduated from Cornell University with a bachelor of science degree (magna cum laude) and a bachelor of arts degree in May 2001.

Mr. Lai Yui (黎叡), aged 41, was appointed as a non-executive Director on 24 September 2014. He has been employed by various subsidiaries of BOC International Holdings Limited as managing director since January 2013 and currently is a managing director of CITP Advisor (Hong Kong) Ltd. Before joining BOC International Holdings Limited, he served as a director of Temasek Holdings (Private) Limited since June 2007. Mr. Lai graduated from University of Pennsylvania with a bachelor of science degree (magna cum laude) and a bachelor of arts degree (magna cum laude) in May 1997.

Independent Non-executive Directors

Professor Sha Zhenquan (沙振權), aged 56, was appointed as an independent non-executive Director on 7 December 2014. He has been a professor of the School of Business Administration of South China University of Technology (華南理工大學) since April 2003. Professor Sha is a member of the 12th National Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會). He is an independent director of Shenzhen Noposion Pesticide Co., Ltd (深圳諾普信農化股份有限公司) (stock code: 002215), Dongling Grain and Oil Co., Ltd. (廣州東凌糧油股份有限公司) (stock code: 000893) and Letong Chemical Co., Ltd. (珠海樂通化工股份有限公司) (stock code: 002319), which are companies listed on the Shenzhen Stock Exchange. He was an independent director of Sincap Group Limited (stock code: 5UN), a company listed on Singapore Exchange from May 2012 to September 2014. Professor Sha obtained a bachelor of science degree in mathematics from East China Normal University (華東師範大學) in December 1982, a master's degree in engineering from South China University of Technology (華南理工大學) in July 1991 and a doctor's degree in philosophy from City University of Hong Kong in November 2001.

CHAN Kam Kwan Jason (陳錦坤), aged 42, was appointed as an independent non-executive Director on 7 December 2014. Mr. Chan was awarded certified public accountant by the Washington State Board of Accountancy. Mr. Chan is the executive director and secretary of Brockman Mining Limited (Stock Code: 0159). He resigned as the independent non-executive director of AMCO United Holding Limited (Stock Code: 0630) (formerly known as Guojin Resources Holdings Limited and Jackin International Holdings Limited) on 30 June 2015. He is the company secretary of Frontier Services Group Limited (formerly known as DVN (Holdings) Limited) (Stock Code: 0500). He is the company secretary of Concord New Energy Group Limited (formerly known as China WindPower Group Limited) (Stock Code: 0182) and was the executive director of the same company from December 2006 to January 2014. He was appointed as the executive director and company secretary of Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (Stock Code:8172) from November 2015. Each of Brockman Mining Limited, AMCO United Holding Limited, Frontier Services Group Limited, Concord New Energy Group Limited and Lajin Entertainment Network Group Limited is a company listed on the Hong Kong Stock Exchange. Mr. Chan obtained a bachelor's degree in commerce from University of British Columbia in May 1995.

Mr. Chung Wing Yin (鍾永賢), aged 38, was appointed as an independent non-executive Director on 7 December 2014. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in August 2002 and a solicitor of the Supreme Court of England and Wales in October 2003, respectively. He is a partner of Li & Partners and has over ten years' experience in legal professional industry. Mr. Chung's practice areas include general commercial and corporate matters, IPOs, mergers and acquisitions, and compliance matters of listed companies. Before joining Li & Partners, Mr. Chung worked at several Hong Kong law firms and was mainly involved in cross border commercial projects. Mr. Chung obtained a bachelor of laws degree and a master's degree in Chinese law from The University of Hong Kong in December 1999 and December 2004, respectively.

Save as disclosed above, there is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 12 of Appendix 16 of the Listing Rules.

Senior Management's Profile

Mr. Song Lanqun (宋蘭群), aged 48, joined our Group in February 2004 and was appointed as vice president and chief engineer of our Group on 24 September 2014 and is responsible for production operation and technology management of our Group. He serves as an executive deputy general manager of Eco-Tech and Kewei and the general manager of Zhanjiang Yuefeng. Mr. Song was awarded mechanical engineer by Office of Title Reform Leading Group of Huizhou City (惠州市職稱改革工作領導小組辦公室) in August 1995. Mr. Song worked at Guangdong Guohong Electric Power Co., Ltd. (廣東國宏電力有限公司) as deputy general manager and chief engineer from February 1997 to February 2004. The principal business of Guangdong Guohong Electric Power Co., Ltd. included electricity generation. Mr. Song graduated from Hebei College of Technology (河北工學院) (now known as Hebei University of Technology (河北工業大學)) in July 1989 with a bachelor of engineering in thermal power engineering. He obtained a master's degree in internal combustion engine from Inner Mongolia College of Technology (內蒙古工學院) (now known as Inner Mongolia University of Technology (內蒙古工業大學)) in July 1992. Mr. Song completed the MBA programme of Huazhong University of Science and Technology (華中科技大學) in December 2004.

Mr. Chen Bo (陳波), aged 39, joined Kewei in March 2009 and was appointed as vice president and chief engineer of our Group on 24 September 2014. He joined China Scivest from Kewei in June 2011 as executive deputy general manager and chief engineer. He became a director of China Scivest in December 2012. He is responsible for production operation and technology management of our Group. Mr. Chen first joined Eco-Tech as a chief engineer in March 2003. Mr. Chen served as a deputy general manager and chief engineer of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Power Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to December 2008. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes generation and sale of electricity. Mr. Chen worked at Kewei as the deputy general manager and the chief engineer from March 2009 to May 2011 and then joined China Scivest in June 2011 to lead the Technological Upgrade of China Scivest WTE Plant. Mr. Chen graduated from Northeast Dianli College (東北電力學院) (now known as Northeast Dianli University (東北電力大學)) in July 2000 with a bachelor of engineering degree in thermal power engineering.

Ms. Wong Ling Fong Lisa (王玲芳), aged 42, joined our Group in June 2013 as the chief financial officer. She has also been our company secretary since 24 September 2014. Ms. Wong is primarily responsible for the financial management of our Group. She is a member of the Hong Kong Institute of Certified Public Accountants. She was in charge of the investment department of Ng's International Investment Co. Ltd. from March 2009 to January 2012 and left Ng's International Investment Co. Ltd. as chief operation officer in the investment department. Ms. Wong was the financial controller responsible for financial planning and daily management of accounting department of Wah Yuet (Ng's) Group Holdings Limited from February 2005 to March 2009. She worked at KPMG from September 1998 to January 2004 and her last position held was manager. Ms. Wong graduated from The Hong Kong Polytechnic University in November 1998 with a degree of bachelor of arts in accountancy.

Ms. Guo Huilian (郭惠蓮), aged 46, joined our China Scivest in August 2011 and was appointed as vice president of our Group on 24 September 2014. She is responsible for the administration and procurement of our Group. Ms. Guo currently serves as a director and general manager of China Scivest since August 2011 and January 2013, respectively. She has also been a director of Canvest Consultancy since its establishment in April 2014. She served as a deputy general manager of Dongguan Dongqiang Industrial Development Co., Ltd (東莞市東強實業發展有限公司) from June 1998 to August 2008 and was mainly involved in the management of construction business. Before joining China Scivest, Ms. Guo also served as a deputy general manager of Dongguan Dongcheng Dongxing Thermal Power Company Limited (東莞東城東興熱電有限公司) (now known as Dongguan China Power New Energy Heat and Power Company Limited (東莞中電新能源熱電有限公司)), a subsidiary of CPNE, from November 2008 and was mainly involved in managerial function and financial management of natural gas power generation business. The principal business of Dongguan China Power New Energy Heat and Power Company Limited includes natural gas power generation. Ms. Guo obtained an associate degree (大專學歷) in chemistry from South China Normal University (華南師範大學) in July 1989. Ms. Guo is a cousin of Mr. CT Lai and Mr. KM Lai, and a cousin-in-law of Ms. Loretta Lee.

Directors' and Senior Management's Profile

Ms. Zhang Xunmei (張洵梅), aged 47, joined Kewei in March 2009 and was appointed as vice president of our Group on 25 August 2014. She is a director of China Scivest. She joined China Scivest from Kewei in June 2011 and serves as deputy general manager of China Scivest since June 2012. She is responsible for the financial management of China Scivest and Zhanjiang Yuefeng. Ms. Zhang was recognised as assistant engineer by the Department of Personnel of Yunnan Province (雲南省人事廳) in December 1994 and intermediate accountant by Ministry of Personnel (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) and the Ministry of Finance of the PRC in May 2005. Ms. Zhang was recognised as intermediate level business administration specialty by the Ministry of Personnel of the PRC in November 2000. She worked at Dongguan Wufang Electrical Engineering Company Limited (東莞市五方電力工程有限公司) in various roles in relation to accounting from November 1996 to October 2005. Before joining our Group in March 2009, Ms. Zhang served as financial manager and the assistant to the general manager of Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Energy Environmental Power Company Limited (昆明中電環保電力有限公司)) from November 2007 to February 2009. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes the generation and sale of electricity. Ms. Zhang graduated from Yunnan College of Technology (雲南工學院) (now merged with Kunming University of Science and Technology (昆明理工大學)) in July 1989 with an associate degree (大專學歷) in industrial moulding design.

Mr. Min Zeqing (閔澤清), aged 48, joined Kewei and was appointed as vice president of our Group in August 2015. He is responsible for business and project development of our Group. He worked at factory manager of the Jiangsu Taicang WTE power plant of GCL-Poly Energy Holdings Limited (保利協鑫能源控股有限公司) from November 2003 to December 2004. He served as the deputy general manager of Zhejiang Wangneng Environmental Protection Company Limited (浙江旺能環保有限公司) from December 2004 to September 2005. He also served at the deputy general manager of Guangzhou Environment Protection Investment Group Company Limited (廣州環保投資有限公司) from September 2005 to April 2007. He was the vice president of C&G Environmental Protection (China) Company Limited (創冠環保(中國)有限公司) from May 2007 and November 2011. He was the vice president of Guangdong Promising Environmental Protection Investment Company Limited (廣東博海昕能環保投資有限公司) from November 2011 to July 2015. Mr. Min graduated from China University of Petroleum (中國石油大學(華東)) in 1988 with an associate degree.

Mr. Xie Yubin (謝宇斌), aged 48, joined our Group in April 2005. He is the executive deputy general manager of Eco-Tech and Kewei and responsible for daily management of such companies. Mr. Xie was recognised as junior level finance and economics specialty by the Ministry of Personnel of the PRC (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) in November 1999. Mr. Xie worked at Dongguan Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司東莞分行) from March 1993 to April 2005. Mr. Xie graduated from Guangdong University of Technology (廣東工業大學) in July 2003 with an associate degree (大專學歷) in accountancy. He graduated from Central Broadcasting and Television College (中央廣播電視大學) (now known as The Open University of China (國家開放大學)) in January 2009 with a bachelor's graduation certificate in administrative management through distance learning.

Mr. Deng Fenghua (鄧風華), aged 47, joined Kewei in March 2009 and then joined Eco-Tech in November 2009. He joined China Scivest from Eco-Tech in September 2011. He serves as deputy general manager of China Scivest since October 2012 and is responsible for assisting the chief engineers in daily production of China Scivest. He served as turbine engineer of Eco-Tech from December 2003 to February 2008 and manager of engineering of Kewei from March 2009 to June 2011. Mr. Deng was recognised as assistant engineer in utility engineering by the Bureau of Personnel of Shaoyang City (邵陽市人事局) in September 2003. He worked at Yunnan Shuang Xing Green Energy Company Limited (雲南雙星綠色能源有限公司) (now known as Kunming China Power Environmental Power Company Limited (昆明中電環保電力有限公司)) as deputy chief engineer from March 2008 to January 2009. Yunnan Shuang Xing Green Energy Company Limited is a subsidiary of CPNE and its principal business includes generation and sale of electricity. Mr. Deng graduated from Changsha College of Electric Power (長沙電力學院) (now known as Changsha University of Science & Technology (長沙理工大學)) in December 1995 with an associate degree (大專學歷) in power plant thermal power engineering through distance learning.

Mr. Chen Wenjie (陳文捷), aged 48, joined our Group in July 2006. He serves as deputy general manager of production of Eco-Tech and Kewei and deputy chief engineer of Eco-tech and is responsible for assisting the chief engineers in daily production of Eco-Tech and Kewei. Mr. Chen was recognised as engineer by the Bureau of Personnel of Dongguan City (東莞市人事局) in November 1995. He was recognised as intermediate level business administration specialty by the Ministry of Personnel of the PRC (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) in November 2005. He was awarded the qualification of computer software programmer by the State Council Office of Promotion and Application of Electronics and Information System in October 1994. He served as deputy manager of the production department of Guangdong Guohong Electric Power Co., Ltd. (廣東國宏電力有限公司) from June 1996 to July 2006. The principal business of Guangdong Guohong Electric Power Co., Ltd. included electricity generation. Mr. Chen graduated from Tsinghua University (清華大學) in July 1990 with a bachelor's degree in utilisation of nuclear and heat energy.

Mr. Chen Jinxi (陳進喜), aged 43, joined our Group in May 2006. He serves as the supervisor of Zhanjiang Yuefeng and Canvest Consultancy and deputy general manager of finance of Eco-Tech and Kewei. He is responsible for financial management of Eco-Tech and Kewei. Mr. Chen was recognised as accountant by the Ministry of Personnel (now known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) and the Ministry of Finance of the PRC in May 1997. Mr. Chen worked at Guangdong Guohong Electric Power Co., Ltd. (廣東國宏電力有限公司) as deputy manager of the finance department from November 2000 to May 2006. The principal business of Guangdong Guohong Electric Power Co., Ltd. included electricity generation. Mr. Chen graduated from Hunan University of Technology (湖南工業大學) in July 2013 with a bachelor graduation certificate in financial management through distance learning.

Mr. Li Deming (李德明), aged 51, joined our Group in April 2010. He serves as chief engineer of Eco-Tech and Kewei and is responsible for assisting the chief engineers of our Group in the daily production of Eco-Tech and Kewei. Mr. Li was recognised as thermal mechanical engineer by the Bureau of Personnel of Foshan City (佛山市人事局) in December 1996. Mr. Li served as steam turbine engineer of Guangdong Guohong Electric Power Co., Ltd. (廣東國宏電力有限公司) from May 1998 to May 2005. He served as officer-in-charge of and engineer in machinery maintenance of Guangzhou Veolia ES Likeng Co. Ltd (廣州威立雅固廢能源技術有限公司) from May 2005 to April 2007 and was responsible for the thermal mechanical related technology and production management of Guangzhou Waste-to-energy Plant No. 1 (廣州市第一資源熱力電廠). He served as the thermal mechanical engineer of Guangzhou Environment Protection Investment Group Co., Ltd (廣州環保投資集團有限公司) and was responsible for the thermal mechanical related technology and production management of the branch plant No. 2 of Guangzhou Waste-to-energy Plant No. 1 (廣州市第一資源熱力電廠). The principal business of Guangdong Guohong Electric Power Co., Ltd. included electricity generation. Mr. Li graduated from Changsha Normal College of Water Conservancy and Electric Power (長沙水利電力師範學院) (now known as Changsha University of Science & Technology (長沙理工大學)) in July 1988 with a bachelor's degree in thermal power engineering.

Report of the Directors

The Board is pleased to present this report for the year ended 31 December 2015.

Principal activities

The Company is principally engaged in investment holdings. Its operating subsidiaries are principally engaged in the development, management and operation of WTE plants.

An analysis of the Group's revenue during the year by operating segments is set out in note 5 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2015 are set out in note 14 to the consolidated financial statements.

Results and overall performance

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 63 of this annual report.

Business review of the Group during the year ended 31 December 2015, together with an indication of likely future development in the business of the Group, are set out in the Chairlady's statement on pages 4 to 7 of this annual report. Management discussion and analysis are set out on pages 10 to 22 of this annual report.

Dividends

The Board did not recommend the payment of any dividend for the year ended 31 December 2015 (2014: no dividend).

Share issued in the year

Details of the shares issued in the year ended 31 December 2015 are set out in note 26 to the consolidated financial statements.

As at 31 December 2015, the Company had 2,000,000,000 shares in issue.

Reserves

Details of movements in reserves of the Group during the year ended 31 December 2015 are set out on page 67 of this annual report.

As at 31 December 2015, the reserves of the Company available for distribution to shareholders amounted to HK$1,191.7 million (year 2014: HK$1,056.1 million).

Charitable donations

The total amount of charitable donations made by the Group during the year ended 31 December 2015 was HK$195,250.

Use of Proceeds from the Initial Public Offering

The shares of the Company first became listed on the Hong Kong Stock Exchange on 29 December 2014.

Gross Proceeds raised from the initial public offering amounted to about HK$1,165.0 million, and net proceeds (after deduction of listing expenses and underwriting commissions) amounted to about HK$1,068.5 million. As at 31 December 2015, HK$884.8 million was used. The balance was kept in banks in Hong Kong. Details of the use of proceeds during the year ended 31 December 2015 are set out in the management discussion and analysis on page 10 to 22 of this annual report.

Property, plant and equipment

As at 31 December 2015, the property, plant and equipment of the Group amounted to approximately HK$965.0 million. Details of movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 16 to the consolidated financial statements.

Borrowings and interest capitalised

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings of the Group as at 31 December 2015 are set out in note 27 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2015 are set out in note 11 to the consolidated financial statements.

Retirement benefit scheme

Details of retirement benefit scheme of the Group are set out in note 2.22 to the consolidated financial statements.

Financial summary

The financial summary of the Group for the year ended 31 December 2015 and the 4 preceding financial years is set out on pages 130 to 131 of this annual report.

Directors

The list of Directors of the Board is set out on page 31 of this annual report and their biographical details are set out on pages 42 to 44 of this annual report.

In accordance with Article 16.18 of the Company's amended and restated memorandum and articles of association, Ms. Lee Wing Yee Loretta, Professor Sha Zhenquan and Mr. Chan Kam Kwan Jason will retire at the 2016 AGM and being eligible, will offer themselves for re-election. None of them has a service agreement or appointment letter with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

The Company has received from each independent non-executive Director a confirmation of his independence pursuant to the independence guidelines under the Listing Rules. The Company considered all the independent non-executive Director were independent.

Senior management

Biographical details of the senior management of the Group are set out on pages 44 to 47 of this annual report.

Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 7 December 2014. 3,000,000 share options were granted on 24 April 2015. Details of the movement in share options of the Company during the year ended 31 December 2015 are set out in note 26(c) to the consolidated financial statement.

A summary of the Share Option Scheme is as follows:

Purpose of the Share Option Scheme	To recognise, motivate and provide incentives to eligible participants who make contributions to the Group: 1. To motivate the eligible participants to optimise their performance and efficiency; and 2. To attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group.
Participants of the Share Option Scheme	Eligible participants can be any of the following class of persons: 1. Any full-time or part-time employees of any member of the Group; 2. Any consultant or advisor of any member of the Group; 3. Any Directors (including executive, non-executive or independent non-executive Directors) of any member of the Group; 4. Any substantial shareholder of any member of the Group; and 5. Any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.
Total number of shares available for issue under the Share Option Scheme and percentage to the issued share capital as at 31 December 2015 and at the date of this annual report	The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 9.85% of the issued share capital as at 31 December 2015 and at the date of this annual report.

Maximum entitlement of each participant	The maximum entitlement for each participant is that the total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.
The period within which the share options must be exercised	Commencing on the date which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.
The minimum period for which an option must be held before it can be exercised	A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any option granted under the Share Option Scheme can be exercised. Subject to such terms and conditions as the Board may determine as aforesaid, there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.
The amount payable on application or acceptance of the option, and the period within which payments or calls must or may be made, or loans for such purposed must be paid	Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.
The basis of determining the exercise price	The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined solely by the Board and notified to a grantee and shall be at least the higher of: 1. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; 2. The average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and 3. The nominal value of a Share on the date of grant of the option.
Validity of the Share Option Scheme	10 years, from 7 December 2014 to 6 December 2024.

Report of the Directors

The Company has adopted a share option scheme on 7 December 2014. On 24 April 2015, the Company has granted a total of 3,000,000 share options to the eligible participants of the Company. Please refer to the Company's announcement dated 24 April 2015 and note 26 to the consolidated financial statements for further details.

Name or category of participant	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2015	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK$ per share
Directors									
Ms. Loretta Lee	–	250,000	–	–	–	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. Yuan Guozhen	–	250,000	–	–	–	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Mr. CT Lai	–	250,000	–	–	–	250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Subtotal	–	750,000	–	–	–	750,000			
Other employees working under continuous employment contracts									
In aggregate	–	2,250,000	–	–	–	2,250,000	24 April 2015	24 April 2015 to 23 April 2025	4.39
Total	–	3,000,000	–	–	–	3,000,000			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The number and/or exercise price of the share options is/are subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

*** The closing price of the Shares immediately before the date of grant of such share options was HK$4.39 per share.

The number of shares available for issue under the Share Option Scheme is 197,000,000 Shares, representing 9.85% of the issued share capital of the Company as at 31 December 2015, the annual result announcement dated 22 March 2016 and as at the date of this annual report, respectively.

Directors' interests in shares, underlying shares and short positions

As at 31 December 2015, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (i) were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(1) Long positions in shares of the Company

	Number of Shares/Underlying Shares Held					
Name of Director	Personal interest	Number of underlying shares held under equity derivatives[(2)]	Spouse interests	Founder of a discretionary trust[(1)]	Total interests[(4)]	Total interests as % of the issued share capital
Ms. Loretta Lee	1,626,000	250,000	250,000	1,301,652,837	1,303,778,837	65.2%
Mr. KM Lai	–	–	10,000,000	1,301,652,837	1,311,652,837	65.6%
Mr. Yuan Guozhen	–	250,000	357,000	–	607,000	0.03%
Mr. CT Lai	–	250,000[(3)]	1,303,528,837	–	1,303,778,837	65.2%
Professor Sha Zhenquan	30,000	–	–	–	30,000	0.0%

Note:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

2. Details of share options held by the directors are shown in page 48.

3. These represent the 250,000 share options held by Mr. CT Lai.

4. Both Ms. Loretta Lee and Mr. CT Lai are Directors. Under the SFO, if a director's spouse is himself a director or chief executive of the listed corporation concerned, the director need not aggregate his interest. As such, in his capacity as a Director, Mr. CT Lai is not required to aggregate the interests of Ms. Loretta Lee under the SFO. However, Mr. CT Lai is still required to aggregate the interest of Ms. Loretta Lee in determining whether he falls under the definition of "substantial shareholders" under the SFO.

(2) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Approximate percentage of interest
Ms. Loretta Lee (Note 1)	Best Approach	100.0%
Mr. KM Lai (Note 1)	Best Approach	100.0%

Note:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

Substantial Shareholders' Interests in Shares, underlying Shares and Short Positions

So far as is known to the Directors or chief executives of the Company, as at 31 December 2015, the interests or short positions of substantial shareholders (other than Directors or the chief executives of the Company) in the shares or underlying shares of the Company which (i) would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO or, who are directly or indirectly, increased in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

(1) Our Company

Name of Shareholder	Nature of Interest	Number of Shares Held	Number of Underlying Shares	Approximate percentage of shareholding
HSBC International Trust Limited	Trustee	1,301,652,837[(1)]	–	65.1%
VISTA Co	Interest of controlled corporation	1,301,652,837[(2)]	–	65.1%
Century Rise	Interest of controlled corporation	1,301,652,837[(3)]	–	65.1%
Best Approach	Beneficial owner	1,301,652,837	–	65.1%
AEP Green Power, Limited	Beneficial owner	103,305,678[(4)]	–	5.2%

Notes:

1. The entire issued share capital of Best Approach is directly and indirectly held by VISTA Co, whose entire issued share capital is held by HSBC International Trustee Limited as trustee of the Harvest VISTA Trust, a trust with Mr. KM Lai and Ms. Loretta Lee as founders and established in accordance with the laws of the BVI. The discretionary beneficiaries of the Harvest VISTA Trust include Mr. KM Lai, Ms. Loretta Lee and the personal trust of Ms. Loretta Lee (the beneficiaries of which are Ms. Loretta Lee and her immediate family members).

2. VISTA Co holds 55% of the issued share capital of Best Approach and the entire issued share capital of Century Rise. Therefore, VISTA Co is deemed or taken to be interested in all our Shares held by Century Rise and Best Approach for the purposes of the SFO.

3. Century Rise holds 45% of the issued share capital of Best Approach. Therefore, Century Rise is deemed or taken to be interested in all our Shares held by Best Approach for the purposes of the SFO.

4. AEP Green Power, Limited increased their shareholding from 103,305,678 Shares to 116,305,678 Shares, or 5.8% of the total issued share capital of the Company on 21 January 2016.

Interests of any other persons

Save as disclosed in the foregoing, as at 31 December 2015, none of any other persons had informed to the Company that they had any interests or short positions in the shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO.

Employees and remuneration policies of the Group

As at 31 December 2015, the Group had a total of 549 employees. The related employees' costs for the year ended 31 December 2015 amounted to HK$90.8 million. The compensation of the Group is determined with reference to the market, individual performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to the employees' needs.

Directors' remuneration and five highest paid individuals

Apart from benchmarking against the market, the Company also looks at individual competency, contributions and the affordability to the Company in determining the level of remuneration for each Director. Benefit schemes of the Company are also in place for the Directors. The Group regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of Directors' remuneration and the five highest paid individuals of the Group during the year 2015 are set out in note 10 to the consolidated financial statements.

Directors' interest in competing business

The Directors do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

As disclosed in the prospectus of the Company dated 15 December 2014, Mr. KM Lai, Ms. Loretta Lee, VISTA Co, Century Rise and Best Approach (the "Controlling Shareholders"), have undertaken to avoid being engaged in or taking part in the business which may compete with the principal business of the Company.

The independent non-executive Directors have reviewed the compliance of the Controlling Shareholders with the deed of non-competition dated 10 December 2014 (the "Non-Competition Deed"). The Controlling Shareholders of the Company have confirmed to the Company that they have complied with the non-competition undertaking under the Non-competition Deed.

Directors' material interest in transactions, arrangements or contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Controlling Shareholders or a Director or any entity connected with a Director had, directly or indirectly, a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Liability insurance of Directors and senior management

Pursuant to the Company's articles of association, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Since the Listing Date and to date, the Company has purchased the Directors and Officers Liability Insurance for its Directors and senior management, in order to safeguard them from any legal and compensation liabilities arising in the course of discharging their duties.

Directors' rights to acquire securities

Apart from the details disclosed under the headings "Share Option Scheme" and "Directors' interests in shares, underlying shares and short positions" in relation to the share option scheme of the Company and the share options granted to the Directors thereunder, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such benefits. (Year 2014: nil)

Equity-linked agreements

No equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

On 20 January 2016, the Company entered a convertible loan agreement with IFC, pursuant to which IFC agreed to lend and the Company agreed to borrow the convertible loan in a principal amount of HK$465,012,000. IFC has the right to convert all or any part of the outstanding principal amount of the convertible loan into conversion shares at a conversion price of HK$3.91 per share (subject to the adjustment as set out in the convertible loan agreement). Assuming a conversion price of HK$3.91 per share, the aggregate principal amount of the convertible loan of HK$465,012,000 is convertible into approximately 118,928,900 conversion shares, representing approximately 5.95% of the issued share capital of the company as at the date of this annual report or approximately 5.61% of the enlarged issued share capital. For reasons for entering into the agreement and more details about the exercise of the conversion right under the agreement, please refer to the announcement of the Company dated 20 January 2016. As at the date of this annual report, the convertible loan has not yet drawn.

Major customers and suppliers

During the year ended 31 December 2015, the largest and five largest customers of the Group accounted for less than 51% and 88% of revenue of the Group for the year, respectively, and the largest and five largest suppliers (including contractors for construction of BOT projects) of the Group accounted for less than 77% and 83% of purchases of the Group for the year, respectively.

None of the Directors, their respective close associates or any Shareholders (who are interested in more than 5% of the issued share capital of the Company to the knowledge of the Directors) had any interests in any of the five largest customers or suppliers of the Group.

Key relationships with stakeholders

The Company recognizes that our employees, customers, business associates are keys to our sustainability development. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business associates and supporting our community.

Employees

The Company places significant emphasis on human capital. The Company provides a safe working environment, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance.

Customers

We value the feedback from the customers through daily communication and regular meetings. The Company will coordinate with the major customers, China Southern Power Grid and the State Grid for regular maintenance with an aim to minimize the impact to the grid. Moreover, we will address to the concern or request raised by the grid companies in a timely manner and in accordance with the appropriate standards.

Suppliers

We treasure the long term relationship with the suppliers and proactively collaborate with our suppliers to deliver sustainable products to the community. As such, we will adopt tender processes for our major contracts and suppliers are contractually required to adhere to our quality control measures and standards.

Local regulatory authorities

To better serve the community, we will have regular meetings with relevant regulatory authorities to report our latest operation, with an aim to provide the latest update to the public.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Pre-emptive rights

No provision has been made in the memorandum of association or articles of association of the Company or under the laws of Cayman Islands in respect of pre-emptive rights, as such, the Company shall offer pro rata new Shares (if any) to the existing Shareholders.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2015 (year 2014: nil).

Corporate governance

The principal corporate governance practices adopted by the Company are set out in corporate governance report on pages 31 to 41 of this annual report.

Risk and uncertainties

The major risks and uncertainties faced by the Group are set out in the sustainability report on pages 23 to 30 of this annual report.

Environmental Policies and Sustainable development

The environmental policies of the Group and its performance for the year ended 31 December 2015 are set out in the sustainability report on pages 23 to 30 of this annual report.

Compliance with laws and regulations

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements. The Group has been allocating resources to ensure ongoing compliance with laws, rules and regulations and maintain working relationships with regulators effectively through effective communications. During the year, the Group has complied, to the best of our knowledge, with all relevant laws, rules and regulations that have a significant impact on the Company.

Connected transaction

On 12 May 2015, Kewei entered into a sale and purchase agreement with the holder of 45% equity interests in a subsidiary of the Company, Zhanjiang Yuefeng, in relation to the acquisition of the remaining 45% equity interest in Zhanjiang Yuefeng by the Group at a consideration of RMB220,000,000 (approximately HK$268,531,000). The purpose of the acquisition is to enhance the Company's management of Zhanjiang Yuefeng and for the Group to receive stable revenue from its WTE plant once it commenced trial operation. As the vendor was the beneficial owner of 45% equity interests in a subsidiary of the Company, the vendor was a connected person of the Company and the acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 12 May 2015 for details of the acquisition.

As at the date of this annual report, the transaction has been completed and Zhanjiang Yuefeng is a wholly-owned subsidiary of the Company.

Public float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, they confirm that the Company has maintained at least 25% of the Company's total issued share capital being held by the public for the year ended 31 December 2015 and as at the date of this report.

Audit committee

The audit committee of the Company had reviewed the consolidated financial statements of the Group for the year ended 31 December 2015, and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

Related party transaction

Details of the major related party transactions undertaken in the normal course of business are provided under note 34 to the consolidated financial statements of this annual report, and none of which constitutes a discloseable continuing connected transaction as defined under the Listing Rules.

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers (the "Auditors"), the auditors of the Company. The tenure of the Auditors will expire at 2016 AGM and they are willing to continue to offer themselves for re-appointment. A resolution for the re-appointment of the Auditors and authorisation to the Board to determine their remuneration will be proposed at 2016 AGM.

Events after the balance sheet date

Details of the post balance sheet events are provided under note 35 to the consolidated financial statements of this annual report.

On behalf of the Board

Lee Wing Yee Loretta
Chairlady

Hong Kong, 22 March 2016

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF
CANVEST ENVIRONMENTAL PROTECTION GROUP COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Canvest Environmental Protection Group Company Limited (the "Company") and its subsidiaries set out on pages 63 to 129, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	5	**1,184,536**	793,967
Cost of sales	6	**(745,212)**	(451,646)
Gross profit		**439,324**	342,321
General and administrative expenses	6	**(111,646)**	(96,723)
Other income	7	**49,158**	51,467
Other gain, net	8	**4,325**	381
Operating profit		**381,161**	297,446
Interest income	11	**11,897**	5,525
Interest expense	11	**(63,271)**	(67,334)
Interest expense, net		**(51,374)**	(61,809)
Profit before income tax		**329,787**	235,637
Income tax expense	12	**(40,892)**	(27,278)
Profit for the year		**288,895**	208,359
Attributable to:			
Equity holders of the Company		**272,001**	191,038
Non-controlling interests		**16,894**	17,321
		288,895	208,359
Earnings per share			
— basic (expressed in HK cents per share)	13	**13.6**	12.7
— diluted (expressed in HK cents per share)	13	**13.6**	12.7

The notes on pages 71 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Profit for the year	**288,895**	208,359
Other comprehensive loss:		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**(109,761)**	(1,253)
Realisation of revaluation reserve upon disposal of available-for-sale financial assets	**–**	(203)
Other comprehensive loss for the year, net of tax	**(109,761)**	(1,456)
Total comprehensive income for the year	**179,134**	206,903
Attributable to:		
Equity holders of the Company	**162,161**	189,784
Non-controlling interests	**16,973**	17,119
Total comprehensive income for the year	**179,134**	206,903

The notes on pages 71 to 129 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Land use rights	15	**153,642**	167,087
Property, plant and equipment	16	**964,989**	530,272
Intangible assets	17	**1,914,654**	1,270,663
Long-term deposits and prepayments	21	**119,892**	113,126
Gross amounts due from customers for contract work	18	**511,595**	119,914
		3,664,772	2,201,062
Current assets			
Inventories	20	**472**	507
Trade receivables	21	**86,578**	70,967
Gross amounts due from customers for contract work	18	**38,026**	–
Deposits, prepayments and other receivables	21	**72,373**	32,391
Income tax recoverable		**–**	1,215
Restricted deposits	23	**156,560**	6,338
Short-term bank deposits	24	**–**	126,764
Cash and cash equivalents	25	**449,136**	1,328,172
		803,145	1,566,354
Total assets		**4,467,917**	3,767,416
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	26	**20,000**	20,000
Share premium	26	**1,084,780**	1,084,780
Other reserves	26	**542,876**	781,809
Retained earnings		**686,745**	428,403
		2,334,401	2,314,992
Non-controlling interests		**–**	102,972
Total equity		**2,334,401**	2,417,964

Consolidated Balance Sheet
As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables	28	**37,300**	–
Borrowings	27	**1,098,852**	776,110
Deferred government grants		**56**	71
Deferred income tax liabilities	19	**209,373**	104,442
Other non-current liabilities		**2,708**	1,316
		1,348,289	881,939
Current liabilities			
Trade and other payables	28	**461,003**	212,663
Borrowings	27	**321,043**	252,576
Current income tax liabilities		**3,181**	2,274
		785,227	467,513
Total liabilities		**2,133,516**	1,349,452
Total equity and liabilities		**4,467,917**	3,767,416
Net current assets		**17,918**	1,098,841
Total assets less current liabilities		**3,682,690**	3,299,903

The consolidated financial statements on pages 63 to 129 were approved by the Board of Directors on 22 March 2016 and were signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

The notes on pages 71 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Attributable to equity holders of the Company											
	Note	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 26)	Capital reserve HK$'000 (Note 26)	Statutory reserve HK$'000 (Note 26)	Other reserve HK$'000 (Note 26)	Available-for-sale financial assets revaluation reserve HK$'000	Share option reserve HK$'000 (Note 26)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2014		–	–	360,463	36,609	8,097	203	–	20,524	250,051	675,947	85,853	761,800
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	191,038	191,038	17,321	208,359
Other comprehensive income													
Currency translation differences		–	–	–	–	–	–	–	(1,051)	–	(1,051)	(202)	(1,253)
Realisation of revaluation reserve upon disposal of available-for-sale financial assets		–	–	–	–	–	(203)	–	–	–	(203)	–	(203)
Total comprehensive income for the year		–	–	–	–	–	(203)	–	(1,051)	191,038	189,784	17,119	206,903
Issuance of ordinary shares	26	5,012	1,160,000	–	–	–	–	–	–	–	1,165,012	–	1,165,012
Share capitalisation issue	26	14,988	(14,988)	–	–	–	–	–	–	–	–	–	–
Professional expenses incurred in connection with the Company's listing	26	–	(60,232)	–	–	–	–	–	–	–	(60,232)	–	(60,232)
Appropriation of statutory reserve		–	–	–	12,686	–	–	–	–	(12,686)	–	–	–
Deemed contribution from the immediate holding company	26	–	–	344,481	–	–	–	–	–	–	344,481	–	344,481
Balance at 31 December 2014		20,000	1,084,780	704,944	49,295	8,097	–	–	19,473	428,403	2,314,992	102,972	2,417,964

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Attributable to equity holders of the Company											
	Note	Share capital HK$'000 (Note 26)	Share premium HK$'000 (Note 26)	Capital reserve HK$'000 (Note 26)	Statutory reserve HK$'000 (Note 26)	Other reserve HK$'000 (Note 26)	Available-for-sale financial assets revaluation reserve HK$'000	Share option reserve HK$'000 (Note 26)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015		20,000	1,084,780	704,944	49,295	8,097	–	–	19,473	428,403	2,314,992	102,972	2,417,964
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	272,001	272,001	16,894	288,895
Other comprehensive income													
Currency translation differences		–	–	–	–	–	–	–	(109,840)	–	(109,840)	79	(109,761)
Total comprehensive income for the year		–	–	–	–	–	–	–	(109,840)	272,001	162,161	16,973	179,134
Appropriation of statutory reserve		–	–	–	13,659	–	–	–	–	(13,659)	–	–	–
Acquisition of non-controlling interests	31	–	–	–	–	(148,586)	–	–	–	–	(148,586)	(119,945)	(268,531)
Employees share option scheme – value of employee services	26	–	–	–	–	–	–	5,834	–	–	5,834	–	5,834
Balance at 31 December 2015		20,000	1,084,780	704,944	62,954	(140,489)	–	5,834	(90,367)	686,745	2,334,401	–	2,334,401

The notes on pages 71 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	**2015 HK$'000**	2014 HK$'000
Cash flows from operating activities			
Profit before income tax		**329,787**	235,637
Adjustment for:			
Construction revenue arising from build, own and transfer ("BOT") arrangement		**(583,328)**	(247,763)
Finance income arising from BOT arrangement		**(20,080)**	(4,258)
Depreciation of property, plant and equipment		**47,184**	35,843
Amortisation of land use rights		**3,843**	3,966
Amortisation of intangible assets		**67,759**	65,205
Interest income		**(11,897)**	(5,525)
Interest expense		**63,271**	67,334
Exchange differences		**4,602**	(3,126)
Share option expense		**5,834**	–
Write-off/loss on disposals of property, plant and equipment		**277**	9,949
Reversal of provision for impairment of trade receivables		**–**	(4,164)
Professional expenses incurred in connection with the Company's listing		**–**	33,067
Changes in working capital (excluding the effects of acquisition and currency translation differences on consolidation)			
— Non-current prepayments		**(11,238)**	8,169
— Inventories		**(3,196)**	(232)
— Trade and other receivables		**(59,027)**	30,535
— Trade and other payables		**148,446**	(2,952)
Net cash (used in)/generated from operations		**(17,763)**	221,685
Income tax paid		**(13,701)**	(20,115)
Net cash (used in)/generated from operating activities		**(31,464)**	201,570
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	30	**(355,878)**	(113,190)
Payment for deposits for investments		**(64,697)**	–
Payments for purchase of property, plant and equipment		**(367,279)**	(207,231)
Proceeds from disposals of property, plant and equipment		**1,872**	6,875
Payments for land use rights		**–**	(3,876)
Proceeds from disposal of available-for-sale financial assets		**–**	44,461
Increase in restricted deposits		**(1,244)**	–
Decrease in short-term bank deposits		**124,420**	–
Interest received		**11,897**	5,525
Net cash used in investing activities		**(650,909)**	(267,436)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	**2015 HK$'000**	2014 HK$'000
Cash flows from financing activities			
Increase in restricted deposits		**(155,525)**	–
Acquisition of non-controlling interests	31	**(268,531)**	–
Proceeds from borrowings		**757,718**	70,688
Repayments of borrowings		**(350,130)**	(176,070)
Interest paid		**(80,136)**	(68,682)
Repayment of ex-shareholders' loans of a subsidiary	30(a)	**(68,785)**	–
Repayments from related parties		**–**	86,115
Issuance of ordinary shares		**–**	1,165,012
Professional expenses paid in connection with the Company's listing		**(10,194)**	(77,012)
Deemed capital injection from the immediate holding company		**–**	344,481
Net cash (used in)/generated from financing activities		**(175,583)**	1,344,532
Net (decrease)/increase in cash and cash equivalents		**(857,956)**	1,278,666
Cash and cash equivalents at beginning of year		**1,328,172**	49,803
Currency translation differences		**(21,080)**	(297)
Cash and cash equivalents at end of year		**449,136**	1,328,172

The notes on pages 71 to 129 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1 General information

1.1 General information

The Company was incorporated in the Cayman Islands on 28 January 2014 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or modified from time to time. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of municipal solid waste handling services and operation and management of waste-to-energy ("WTE") plants.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements is presented in unit of Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2016.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

During the year ended 31 December 2015, the Group continues to realise its growth strategy in the WTE industry. It has acquired Laibin Zhongke Environmental Power Company Limited ("Laibin Zhongke") (Note 30) and Celestial Jade Limited ("Celestial Jade") (Note 30), completed the technological upgrade project of Dongguan Eco-Tech Environmental Power Company Limited ("Eco-Tech") WTE plant and substantially completed the construction of Zhanjiang Yuefeng Environmental Power Company Limited ("Zhanjiang Yuefeng") WTE plant. As at 31 December 2015, the Group's cash and cash equivalents, bank borrowings and contracted capital commitments were HK$449,136,000, HK$1,419,895,000 and HK$348,225,000 respectively.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2015. The directors are of the opinion that, taking into account all information that could reasonably be expected to be available, the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Based on the successful history of obtaining new financing, its relationship with various financial institutions, new bank borrowings obtained subsequent to the balance sheet date (Notes 27 and 35), the proposed issuance of convertible loan (Note 35) and the cash flows generating from operations, the directors of the Company consider that the Group will be able to obtain adequate financial resources to enable it to operate and fulfill its liabilities and commitments as and when they fall due, within the next twelve months from 31 December 2015. Accordingly, the directors have prepared these consolidated financial statements on a going concern basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to Hong Kong Accounting Standard ("HKAS") 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs – 2010–2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

Amendments from annual improvements to HKFRSs – 2011–2013 Cycle, on HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement' and HKAS 40, 'Investment property'.

The amendments above are not material to the Group.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(c) New standards and interpretations not yet adopted *(Continued)*

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are not consolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(a) Business combinations *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for by the Company at cost less impairment losses. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies *(Continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is HK$, which is the Company's and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 Summary of significant accounting policies *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20-25 years
Plant and machinery	10-15 years
Motor vehicles	3-5 years
Office and other equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

Construction in progress ("CIP") represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises all direct costs of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents up-front prepayments made for the rights to use the land.

Amortisation of land use rights is expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement.

2 Summary of significant accounting policies *(Continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. An impairment loss is recognised for the amount by which the carrying value of goodwill exceeds its recoverable amount. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Concession right to build, own and transfer a waste-to-energy plant

Concession right to build, own and transfer ("BOT" arrangement) a waste-to-energy plant has a finite useful life and is carried at cost less accumulated amortisation. Concession right acquired in a business combination is recognised at fair value at the acquisition date. Costs mainly comprise construction related costs and borrowing costs that are eligible for capitalisation and incurred before the waste-to-energy plant is ready for its intended use. When the concession right is ready for its intended use, amortisation is calculated using the straight-line method to allocate the cost of service concession right over the concession period.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2 Summary of significant accounting policies *(Continued)*

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "gross amounts due from customers for contract work", "trade receivables", "deposits and other receivables", "restricted deposits", "short-term bank deposits" and "cash and cash equivalents" in the consolidated balance sheet.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group companies or the counterparty.

2 Summary of significant accounting policies *(Continued)*

2.11 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies *(Continued)*

2.13 Receivables

(a) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(b) Gross amounts due from customers for contract work

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

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies *(Continued)*

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liability is provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies *(Continued)*

2.20 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for electricity supplied, provision of municipal solid waste treatment services and construction service for service concession arrangement, stated net of value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Revenue from power sales

Revenue arising from sales of electricity is recognised in the accounting period when electricity is generated and transmitted.

(ii) Waste treatment fee

Waste treatment fee is recognised in the accounting period in which the related services are rendered.

(iii) Construction revenue from service concession arrangement

The Group recognised construction revenue relating to service concession arrangement based on the percentage of completion method during the construction period. The stage of completion is measured by reference to the construction costs of the related infrastructure incurred as a percentage of the total estimated construction costs.

2 Summary of significant accounting policies *(Continued)*

2.21 Revenue recognition *(Continued)*

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.22 Employee benefits

(i) Pension obligations

Subsidiaries incorporated in the People's Republic of China ("PRC") participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities.

The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

Subsidiaries incorporated in Hong Kong participate in a mandatory provident fund scheme ("MPF Scheme") for its employees in Hong Kong. MPF Scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF Scheme, the employer and its employees are required to contribute 5% of the employees' salaries, up to a maximum of HK$1,500 per employee per month. The assets of MPF Scheme are held separately from those of the subsidiaries incorporated in Hong Kong in an independently administered fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2 Summary of significant accounting policies *(Continued)*

2.22 Employee benefits *(Continued)*

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Equity-settled, share-based compensation plan

The Group operates a equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity of the Company.

2 Summary of significant accounting policies *(Continued)*

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of this asset, until such time as the asset is substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management and fair value measurements

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market risk

(i) Foreign exchange risk

Since the operating subsidiaries of the Group mainly operates in the PRC with transactions mainly settled in Renminbi ("RMB"), being the functional currency of these subsidiaries, the Group is not exposed to significant foreign exchange risk.

3 Financial risk management and fair value measurements *(Continued)*

3.1 Market risk *(Continued)*

(ii) Credit risk

The credit risk of the Group mainly arises from bank deposits, trade receivables, other receivables and gross amounts due from customers for contract work. Bank deposits are placed with reputable banks and financial institutions.

For trade receivables, other receivables and gross amounts due from customers for contract work, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is not significant.

The Group has concentration of credit risk. As at 31 December 2015, 63% (2014: 7%) of the total trade receivables and gross amounts due from customers for contract work was due from the Group's largest customer, 68% (2014: 77%) of the total trade receivables and gross amounts due from customers for contract work were due from the five largest customers.

The carrying values of these balances represent the Group's maximum exposure to credit risk in relation to the financial statements.

(iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. Total net operating cash outflow for the year is approximately HK$31,464,000 (2014: inflow of HK$201,570,000), including net operating cash used in relation to the BOT arrangement under Zhanjiang Yuefeng of approximately HK$342,994,000 (2014: HK$106,350,000). Excluding the operating cash outflow in relation to the BOT arrangement under Zhanjiang Yuefeng, the Group generated operating cash of approximately HK$311,530,000 (2014: HK$307,920,000). The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecasting cash inflows and outflows due in day to day business. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

Analysed below is the Group's contractual maturities for its non-derivative financial liabilities as at 31 December 2015 and 2014. The amounts disclosed in the table are the contractual undiscounted cashflows.

3 Financial risk management and fair value measurements *(Continued)*

3.1 Market risk *(Continued)*

(iii) Liquidity risk (Continued)

	Within 1 year or on demand HK$'000	More than 1 year but within 2 years HK$'000	More than 2 years but within 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 31 December 2015					
Borrowings	**392,271**	**238,697**	**944,962**	**264,196**	**1,840,126**
Trade and other payables	**460,992**	**37,300**	**–**	**–**	**498,292**
	853,263	**275,997**	**944,962**	**264,196**	**2,338,418**
At 31 December 2014					
Borrowings	312,886	209,297	579,911	114,752	1,216,846
Trade and other payables	212,643	–	–	–	212,643
	525,529	209,297	579,911	114,752	1,429,489

(iv) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings bearing variable rates expose the Group to cash flow interest rate risk.

The Group does not have an interest rate hedging policy. However, the management monitors the Group's interest rate exposure and will consider hedging significant exposure should the need arise.

During the year ended 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates on bank borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately HK$13,005,000 (2014: HK$10,287,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the balance sheet date and had been applied to the exposure to cash flow interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

3 Financial risk management and fair value measurements *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustment to it in light of changes in economic condition.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or to obtain bank and other borrowings.

The Group monitors capital on the basis of the net debt to total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheets, plus net debt. The net debt to total capital ratios at 31 December 2015 and 2014 were as follows:

	2015 **HK$'000**	2014 HK$'000
Total borrowings (Note 27)	**1,419,895**	1,028,686
Less: cash and cash equivalents (Note 25)	**(449,136)**	(1,328,172)
Net debt/(cash)	**970,759**	(299,486)
Total equity	**2,334,401**	2,417,964
Total capital	**3,305,160**	2,118,478
Net debt to total capital ratio	**29%**	N/A

3 Financial risk management and fair value measurements *(Continued)*

3.3 Fair value

The management considered the carrying amounts of financial assets and liabilities approximated their fair values as at 31 December 2015 and 2014. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques.

The method by which the fair values of financial instruments are established are categorised as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market price at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is include in level 3.

As at 31 December 2015 and 2014, the Group does not have any financial assets which are measured at fair values.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Service concession arrangements

The Group entered into BOT arrangements in respect of its waste-to-energy projects. Upon expiry of the concession right agreement, the infrastructure has to be transferred to the local government at nil consideration. As disclosed in Note 2.21, revenue relating to construction services under such arrangement is recognised based on percentage of completion. The revenue and profit recognition on an incomplete project is dependent on estimating the final outcome of the construction contract as well as the work incurred at each balance sheet dates. Should the actual results be different from those estimated, this would affect the revenue and profit to be recognised in future periods.

4.2 Impairment of non-financial assets

The Group reviews for impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections. Changing the assumptions selected by management in assessing impairment, including the discount rates, electricity tariff, waste treatment fees in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

4.3 Estimated useful life of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4 Critical accounting estimates and judgements *(Continued)*

4.4 Purchase accounting

Accounting for acquisitions require the Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. In connection with the acquisition of Laibin Zhongke and Celestial Jade (Note 30), the Group has undertaken a process to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement.

5 Revenue and segment information

The CODM has been identified as the Executive Directors of the Group. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. For the year ended 31 December 2015, the Executive Directors consider that the Group's operations are operated and managed as a single segment – waste-to-energy project construction and operation (2014: same). No separate segment information was presented accordingly.

The Group is mainly domiciled in the PRC. All of the Group's revenue are generated in the PRC and most of its non-current assets are located in the PRC during the year ended 31 December 2015 (2014: same).

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

	2015 HK$'000	2014 HK$'000
Revenue from power sales	**376,211**	349,149
Waste treatment fee	**204,917**	192,797
Construction revenue arising from BOT arrangement	**583,328**	247,763
Finance income arising from BOT arrangement	**20,080**	4,258
	1,184,536	793,967

5 Revenue and segment information *(Continued)*

Revenue of approximately HK$600,799,000 is derived from the largest single customer for the year ended 31 December 2015, representing 51% of the Group's total revenue, for which approximately HK$583,328,000 is attributable to construction revenue and approximately HK$17,471,000 is attributable to finance income; HK$366,984,000 is derived from the second largest customer for the year ended 31 December 2015, representing 31% of the Group's total revenue, and is attributable to revenue from power sales.

Revenue of approximately HK$349,149,000 is derived from the largest single customer for the year ended 31 December 2014, representing 44% of the Group's total revenue, and is attributable to revenue from power sales; HK$252,021,000 is derived from the second largest customer for the year ended 31 December 2014, representing 32% of the Group's total revenue, for which approximately HK$247,763,000 is attributable to construction revenue and approximately HK$4,258,000 is attributable to finance income.

6 Expenses by nature

Expenses included in cost of sales and general and administrative expenses are analysed as follows:

	2015 **HK$'000**	2014 HK$'000
Coal	**3,378**	19,421
Fuel	**2,248**	905
Maintenance cost	**29,153**	26,583
Environmental protection expenses	**57,764**	48,458
Auditor's remuneration	**2,880**	1,596
Employee benefit expense (Note 9)	**84,980**	67,958
Share option expenses (Note 26(c))	**5,834**	–
Depreciation and amortisation		
— Land use rights (Note 15)	**3,843**	3,966
— Property, plant and equipment (Note 16)	**47,184**	35,843
— Intangible assets (Note 17)	**67,759**	65,205
Operating lease rentals	**7,238**	3,505
Reversal of provision for impairment of trade receivables (Note 21)	**–**	(4,164)
Construction cost recognised for construction of BOT projects (included in cost of sales)	**486,106**	206,469
Professional expense incurred in connection with the Company's listing	**–**	33,067

7 Other income

	2015 HK$'000	2014 HK$'000
Value-added tax refund (Note)	**44,785**	48,138
Government grants	**595**	137
Others	**3,778**	3,192
	49,158	51,467

Note: The amount represents the Group's entitlement to value-added tax refund in accordance with the Notice of the Ministry of Finance and State Administration of Taxation on policies regarding the Value-Added Tax on Comprehensive Utilisation of Resources and Other Products. There were no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.

8 Other gain, net

	2015 HK$'000	2014 HK$'000
Exchange gain, net	**4,602**	3,126
Write-off/loss on disposals of property, plant and equipment	**(277)**	(9,949)
Reversal of provision (Note)	**–**	7,204
	4,325	381

Note: The amount represents reversal of provision for expenses to be incurred as a result of delay in obtaining certain land and construction-related certificates and permits in prior years.

9 Employee benefit expenses

	2015 HK$'000	2014 HK$'000
Wages and salaries	**70,714**	57,424
Pension costs – defined contribution plans	**4,047**	2,051
Welfare and other expenses	**10,219**	8,483
Subtotal	**84,980**	67,958
Share option expenses (Note 26(c))	**5,834**	–
Total	**90,814**	67,958

10 Benefits and interests of directors and chief executives

(a) Directors' emoluments

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Subtotal HK$'000	Share option expenses HK$'000	Total HK$'000
Year ended 31 December 2015							
Executive directors:							
Ms. Lee Wing Yee Loretta (Note i)	–	1,800	450	18	2,268	486	2,754
Mr. Lai Kin Man (Note ii)	–	604	–	18	622	–	622
Mr. Yuan Guozhen (Chief executive officer) (Note iii)	–	1,836	709	39	2,584	486	3,070
Mr. Lai Chun Tung (Note iii)	–	3,216	909	25	4,150	486	4,636
Non-executive directors:							
Mr. Lui Ting Cheong Alexander (Note iii)	180	–	–	–	180	–	180
Mr. Lai Yui (Note iii)	180	–	–	–	180	–	180
Independent non-executive directors:							
Professor Sha Zhenquan (Note iv)	180	–	–	–	180	–	180
Mr. Chan Kam Kwan Jason (Note iv)	240	–	–	–	240	–	240
Mr. Chung Wing Yin (Note iv)	180	–	–	–	180	–	180
	960	7,456	2,068	100	10,584	1,458	12,042

10 Benefits and interests of directors and chief executives

(a) Directors' emoluments *(Continued)*

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 December 2014					
Executive directors:					
Ms. Lee Wing Yee Loretta (Note i)	–	630	210	17	857
Mr. Lai Kin Man (Note ii)	4	165	–	5	174
Mr. Yuan Guozhen (Chief executive officer) (Note iii)	7	1,020	241	25	1,293
Mr. Lai Chun Tung (Note iii)	4	1,641	401	17	2,063
Non-executive directors:					
Mr. Lui Ting Cheong Alexander (Note iii)	60	–	–	–	60
Mr. Lai Yui (Note iii)	60	–	–	–	60
Independent non-executive directors:					
Professor Sha Zhenquan (Note iv)	12	–	–	–	12
Mr. Chan Kam Kwan Jason (Note iv)	16	–	–	–	16
Mr. Chung Wing Yin (Note iv)	12	–	–	–	12
	175	3,456	852	64	4,547

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company. No directors waived or agreed to waive any emoluments during the year ended 31 December 2015 (2014: same).

Notes:

(i) Ms. Loretta Lee was appointed as the Company's director on 28 January 2014.

(ii) Mr. KM Lai was appointed as the Company's director on 10 February 2014.

(iii) Mr. Yuan Guozhen, Mr. Lai Chun Tung, Mr. Lui Ting Cheong Alexander and Mr. Lai Yui were appointed as the Company's directors on 24 September 2014.

(iv) Professor Sha Zhenquan, Mr. Chan Kam Kwan Jason and Mr. Chung Wing Yin were appointed as the Company's directors on 7 December 2014.

10 Benefits and interests of directors and chief executives *(Continued)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2015 (2014: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2015 (2014: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Company did not pay consideration to any third parties for making available directors' services (2014: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2015, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2014: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly to indirectly; subsisted as at 31 December 2015 or at any time during the year ended 31 December 2015 (2014: Nil).

10 Benefits and interests of directors and chief executives *(Continued)*

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 directors for the year ended 31 December 2015 (2014: 2), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals for the year ended 31 December 2015 (2014: 3) are as follows:

	2015 HK$'000	2014 HK$'000
Wages and salaries	**3,890**	4,902
Pension costs – defined contribution plans	**46**	47
Welfare and other expenses	**106**	–
Subtotal	**4,042**	4,949
Share option expenses (Note 26(c))	**972**	–
Total	**5,014**	4,949

The emoluments fell within the following bands:

	2015	2014
HK$1,000,000 – HK$1,999,999	**–**	2
HK$2,000,000 – HK$2,999,999	**2**	1

During the year ended 31 December 2015, neither directors nor other members of the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, to leave the Group or as compensation for loss of office (2014: same).

11 Interest income and expense

	2015 HK$'000	2014 HK$'000
Interest expense on bank borrowings	**(80,136)**	(68,682)
Less: amount capitalised on qualifying assets	**16,865**	1,348
	(63,271)	(67,334)
Interest income from bank deposits	**11,897**	5,525
Interest expense, net	**(51,374)**	(61,809)

12 Income tax expense

	2015 HK$'000	2014 HK$'000
Current income tax		
PRC enterprise income tax ("EIT")	**16,027**	18,134
Hong Kong profits tax	**–**	–
Total current income tax	**16,027**	18,134
Deferred income tax (Note 19)	**24,865**	9,144
Income tax expense	**40,892**	27,278

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended 31 December 2015 and 2014. No Hong Kong profits tax have been provided as the subsidiaries incorporated in Hong Kong have no assessable profits for the year ended 31 December 2015 (2014: same).

12 Income tax expense *(Continued)*

Subsidiaries incorporated in the PRC are subjected to a tax rate of 25% for each of the year ended 31 December 2015 and 2014 on the assessable profits arising in or derived from the PRC except the followings:

(i) Dongguan Kewei Environmental Power Company Limited ("Kewei") has obtained an approval for an EIT incentive that it was fully exempted from the PRC EIT tax for three years starting from 2011 to 2013 followed by a 50% tax reduction for the ensuing three years from 2014 to 2016. Accordingly, the applicable tax rate for Kewei was 12.5% for the year ended 31 December 2015 (2014: 12.5%).

(ii) Dongguan China Scivest Environmental Power Company Limited ("China Scivest") has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2013 to 2015, followed by a 50% tax exemption for the ensuing three years from 2016 to 2018. Accordingly, the applicable tax rate of China Scivest was 0% for the year ended 31 December 2015 (2014: 0%).

(iii) Eco-Tech has obtained an approval for an EIT incentive that its project will be fully exempted from the PRC EIT for three years starting from 2015 to 2017, followed by a 50% tax exemption for the ensuing three years from 2018 to 2020. Accordingly, the applicable tax rate of Eco-Tech was 0% for the year ended 31 December 2015 (2014: 25%).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise by weighted average tax rate applicable to profit of the subsidiaries of the Group are as follows:

	2015 **HK$'000**	2014 HK$'000
Profit before income tax	**329,787**	235,637
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**86,028**	43,444
Tax effect of:		
Expenses not deductible for tax purpose	**15,659**	7,605
Preferential tax concession	**(60,795)**	(23,771)
Income tax expense	**40,892**	27,278

The weighted average applicable tax rate was 12.4% for the year ended 31 December 2015 (2014: 11.6%).

13 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2014 have been retrospectively adjusted to reflect 1,152,380 shares and 1,498,847,619 shares issued upon the reorganisation completed on 19 May 2014 and capitalisation completed on 29 December 2014, respectively.

	2015	2014
Profit attributable to equity holders of the Company (HK$'000)	**272,001**	191,038
Weighted average number of ordinary shares in issue (thousand shares)	**2,000,000**	1,501,110
Basic earnings per share (HK cents)	**13.6**	12.7

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended 31 December 2015, the Company has two category of dilutive potential ordinary share, the Over-allotment Option ("Over-allotment Option") and share options. For the Over-allotment Option, calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period from the 1 January 2015 to 16 January 2015 (date of Over-allotment Option lapsed) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. For the share options, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the shares from the grant date of share options to 31 December 2015) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Over-allotment Option and share options.

13 Earnings per share *(Continued)*

(b) Diluted *(Continued)*

For the year ended 31 December 2014, the Company has one category of dilutive potential ordinary share, the Over-allotment Option. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares for the period from the listing date (29 December 2014) to 31 December 2014) based on the monetary value of the subscription right attached to outstanding Over-allotment Option. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the over-allotment option.

Diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the Over-allotment Option and share options would have an anti-dilutive effect to the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2014 is the same as the basic earnings per share as the conversional potential ordinary shares in relation to the Over-allotment Option would have an anti-dilutive effect to the basic earnings per share.

14 Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2015 are set out below:

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Directly owned:				
Yi Feng Development Limited 億豐發展有限公司	British Virgin Islands ("BVI"), limited liability company	100 ordinary shares of US$1 each	100%	Investment holding/ Hong Kong
Indirectly owned:				
World Honour International Limited 世興國際有限公司	Hong Kong, limited liability company	101 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
World Prosperous Investments Limited 世豐國際投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Canvest Group Investments Limited 粵豐集團投資有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Provision of human resources and administrative services/ Hong Kong

14 Subsidiaries *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2015 are set out below: *(Continued)*

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
China Green Power Holdings Limited 中國綠色能源控股有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Anabell Hong Kong Limited 安貝爾香港有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Hong Tong Hai Investments Limited 泓通海投資有限公司	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
Celestial Jade Limited 天翠有限公司	BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding/ Hong Kong
Year Charm Limited 偉年有限公司	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
China Scivest (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Eco-Tech (Cayman) Holdings Limited	Cayman Islands, limited liability company	101 ordinary shares of HK$1 each	100%	Investment holding/ Hong Kong
Kewei (Cayman) Holdings Limited	Cayman Islands, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding/ Hong Kong
Dongguan Eco-Tech Environmental Power Company Limited 東莞市科偉環保電力有限公司*	The PRC, limited liability company	RMB400,000,000/ RMB120,000,000 (Note (a))	100%	Provision of municipal solid waste ("MSW") handling services and operation and management of WTE plants/the PRC
Dongguan Kewei Environmental Power Company Limited 東莞科維環保投資有限公司 (formerly known as "東莞市科維環保電力有限公司")*	The PRC, limited liability company	RMB660,000,000/ RMB580,000,000 (Note (b))	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC

14 Subsidiaries *(Continued)*

Details of the principal subsidiaries of the Group as at 31 December 2015 are set out below: *(Continued)*

Company name	Country/place of incorporation/ establishment and kind of legal entity	Registered/ issued and paid-up capital	Percentage of equity interest attributable to the Company	Principal activities/ place of operation
Indirectly owned: (Continued)				
Dongguan China Scivest Environmental Power Company Limited 東莞粵豐環保電力有限公司*	The PRC, limited liability company	RMB110,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Zhanjiang Yuefeng Environmental Power Company Limited 湛江市粵豐環保電力有限公司*	The PRC, limited liability company	RMB150,000,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Laibin Zhongke Environmental Power Company Limited 來賓中科環保電力有限公司*	The PRC, limited liability company	RMB121,500,000	100%	Provision of MSW handling services and operation and management of WTE plants/the PRC
Dongguan City Yuejia Power Equipment Company Limited 東莞市粵佳電力設備有限公司*	The PRC, limited liability company	RMB71,500,000	100%	Investment holding/ the PRC
Qingyuan City Zhongtian New Energy Company Limited 清遠市中田新能源有限公司*	The PRC, limited liability company	RMB53,000,000	100%	Provision of MSW handling service and operation and management of WTE plants/the PRC
Dongguan Yuefeng Corporate Consultancy Management Company Limited 東莞粵豐企業諮詢管理有限公司*	The PRC, limited liability company	RMB2,000,000	100%	Provision of consultancy services/the PRC

* The English name of the subsidiaries referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

Note (a): The paid-up capital of Eco-Tech was increased to RMB140,000,000 on 25 February 2016.

Note (b): The registered share capital of Kewei was increased to RMB860,000,000 on 4 February 2016 and the paid-up capital increased to RMB620,000,000 on 19 January 2016.

15 Land use rights

	HK$'000
At 1 January 2014	170,696
Additions	953
Amortisation	(3,966)
Currency translation differences	(596)
At 31 December 2014	167,087
At 1 January 2015	**167,087**
Amortisation	**(3,843)**
Currency translation differences	**(9,602)**
At 31 December 2015	**153,642**

The Group's land use rights included prepaid operating lease payments which are analysed as follows:

	2015 HK$'000	2014 HK$'000
Leases in the PRC	**47,727**	51,908

Remaining balances represent values of the right to operate Eco-Tech under build-own-operate basis.

Amortisation expense was charged in "cost of sales" in the consolidated income statements.

As at 31 December 2015, certain of the Group's borrowings were secured by land use rights with carrying amount of HK$153,642,000 (2014: HK$167,087,000) (Note 27).

16 Property, plant and equipment

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	CIP HK$'000	Total HK$'000
As at 1 January 2014						
Cost	202,165	376,917	6,603	2,537	–	588,222
Accumulated depreciation	(30,309)	(81,514)	(3,107)	(864)	–	(115,794)
Net book amount	171,856	295,403	3,496	1,673	–	472,428
Year ended 31 December 2014						
Opening net book amount	171,856	295,403	3,496	1,673	–	472,428
Additions	1,430	422	3,710	3,176	100,176	108,914
Acquisition of subsidiaries	–	–	1,765	1,166	–	2,931
Disposals	(13,644)	(3,105)	(70)	(5)	–	(16,824)
Depreciation	(9,447)	(23,547)	(1,853)	(996)	–	(35,843)
Currency translation differences	(681)	(1,132)	(15)	(5)	499	(1,334)
Closing net book amount	149,514	268,041	7,033	5,009	100,675	530,272
As at 31 December 2014						
Cost	183,900	358,441	12,370	7,080	100,675	662,466
Accumulated depreciation	(34,386)	(90,400)	(5,337)	(2,071)	–	(132,194)
Net book amount	149,514	268,041	7,033	5,009	100,675	530,272

16 Property, plant and equipment *(Continued)*

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Office and other equipment HK$'000	CIP HK$'000	Total HK$'000
Year ended 31 December 2015						
Opening net book amount	149,514	268,041	7,033	5,009	100,675	530,272
Additions	881	23,553	4,014	7,734	497,531	533,713
Acquisition of subsidiaries (Note 30)	233	31	67	111	40	482
Disposals	(701)	(1,336)	(38)	(74)	–	(2,149)
Transfer from CIP to property, plant and equipment	251,322	331,616	–	69	(583,007)	–
Depreciation	(12,358)	(30,448)	(2,426)	(1,952)	–	(47,184)
Currency translation differences	(18,467)	(28,808)	(236)	(377)	(2,257)	(50,145)
Closing net book amount	370,424	562,649	8,414	10,520	12,982	964,989
As at 31 December 2015						
Cost	414,647	674,987	17,293	14,932	12,982	1,134,841
Accumulated depreciation	(44,223)	(112,338)	(8,879)	(4,412)	–	(169,852)
Net book amount	370,424	562,649	8,414	10,520	12,982	964,989

Depreciation expense was charged in the consolidated income statements as follows:

	2015 HK$'000	2014 HK$'000
Cost of sales	37,844	29,730
General and administrative expenses	9,340	6,113
	47,184	35,843

As at 31 December 2015, certain of the Group's borrowings were secured by certain property, plant and equipment of the Group with an aggregate net book value of HK$275,180,000 (2014: HK$334,101,000) (Note 27).

17 Intangible assets

	Goodwill HK$'000	Concession rights HK$'000	Total HK$'000
As at 1 January 2014			
Cost	180,886	–	180,886
Accumulated amortisation	–	–	–
Net book amount	180,886	–	180,886
Year ended 31 December 2014			
Opening net book amount	180,886	–	180,886
Acquisition of subsidiaries	–	1,025,998	1,025,998
Additions from BOT arrangement (Note 18)	–	132,688	132,688
Amortisation	–	(65,205)	(65,205)
Currency translation differences	(605)	(3,099)	(3,704)
Closing net book amount	180,281	1,090,382	1,270,663
As at 31 December 2014			
Cost	180,281	1,155,912	1,336,193
Accumulated amortisation	–	(65,530)	(65,530)
Net book amount	180,281	1,090,382	1,270,663
Year ended 31 December 2015			
Opening net book amount	**180,281**	**1,090,382**	**1,270,663**
Acquisition of subsidiaries (Note 30)	**–**	**500,452**	**500,452**
Additions from BOT arrangement (Note 18)	**–**	**303,136**	**303,136**
Amortisation	**–**	**(67,759)**	**(67,759)**
Currency translation differences	**(10,529)**	**(81,309)**	**(91,838)**
Closing net book amount	**169,752**	**1,744,902**	**1,914,654**
As at 31 December 2015			
Cost	**169,752**	**1,901,787**	**2,071,539**
Accumulated amortisation	**–**	**(156,885)**	**(156,885)**
Net book amount	**169,752**	**1,744,902**	**1,914,654**

Goodwill is mainly attributable to the acquisition of Eco-Tech in 2011.

17 Intangible assets *(Continued)*

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on the higher of fair value less costs to sell and value-in-use calculations. The calculation uses pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a 5-year period from the date of acquisition. Cash flows beyond the 5-year period are expected to be similar to that of the 5th year based on the then existing production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Management prepared the financial budgets taking into account actual and prior year performance and market development expectations. The pre-tax discount rate used is 9.5% for the year ended 31 December 2015 (2014: 9.5%). Management estimates the discount rate using pre-tax rates that reflect market assessments of the time value of money and the specific risks relating to the cash-generating units.

Concession rights are mainly attributable to the acquisition of China Scivest, Laibin Zhongke and Celestial Jade and allocation from the BOT arrangement of Zhanjiang Yuefeng, and amortisation expenses were charged to "cost of sales" in the consolidation income statement.

As at 31 December 2015 and 2014, certain of the Group's borrowings were secured by the BOT arrangement entered by China Scivest and Laibin Zhongke with the local governments.

18 Gross amounts due from customers for contract work

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct and operate and manage WTE projects in the PRC for specific periods. The grantors guarantees that the Group will receive minimum annual payments under the service concession arrangement. Upon expiry of the concession periods, the WTE plants and the related facilities will be transferred to the local government authorities. Revenue relating to the construction service provided under service concession arrangements are recognised on gross amounts due from customers for contract work and intangible assets according to the accounting policies as set out in Note 2.20.

	2015 **HK$'000**	2014 HK$'000
Contract costs incurred plus recognised profits	**549,621**	119,914
Representing:		
Gross amounts due from customers for contract work		
— Non-current	**511,595**	119,914
— Current	**38,026**	–
	549,621	119,914

The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements.

19 Deferred income tax

Deferred income tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax liabilities is as follows:

	2015 HK$'000	2014 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	**2,647**	9,190
— to be settled after more than 12 months	**206,726**	95,252
	209,373	104,442

The movements on the deferred income tax liabilities are as follows:

	2015 HK$'000	2014 HK$'000
At beginning of year	**104,442**	30,573
Acquisition of subsidiaries (Note 30)	**88,594**	64,999
Charged to the consolidated income statements (Note 12)	**24,865**	9,144
Currency translation differences	**(8,528)**	(274)
At end of year	**209,373**	104,442

19 Deferred income tax *(Continued)*

Deferred income tax liabilities

	Revaluation of assets HK$'000
At 1 January 2014	30,573
Acquisition of subsidiaries	64,999
Charged to the consolidated income statement	9,144
Currency translation differences	(274)
At 31 December 2014	104,442
At 1 January 2015	**104,442**
Acquisition of subsidiaries (Note 30)	**88,594**
Charged to the consolidated income statement	**24,865**
Currency translation differences	**(8,528)**
At 31 December 2015	**209,373**

Deferred income tax liabilities of approximately HK$35,949,000 as at 31 December 2015 (2014: HK$25,012,000), have not been provided for in the consolidated balance sheet in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries of the Group as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not be reversed in the foreseeable future.

20 Inventories

	2015 HK$'000	2014 HK$'000
Coal, fuel and other materials for waste treatment	**472**	507

The cost of inventories was recognised as expense and included in "cost of sales" amounted to HK$29,686,000 for the year ended 31 December 2015 (2014: HK$40,869,000).

21 Trade receivables, other receivables, deposits and prepayments

	2015 HK$'000	2014 HK$'000
Non-current assets		
Deposit for investments	**62,067**	–
Prepayments for property, plant and equipment	**56,208**	111,196
Rental deposits	**1,617**	1,930
	119,892	113,126
Current assets		
Trade receivables	**86,578**	70,967
Less: Allowance for impairment of trade receivables	**–**	–
Trade receivables — net	**86,578**	70,967
Deposits and prepayments	**5,686**	1,695
Other receivables	**2,190**	15,423
Value-added tax recoverable	**64,497**	15,273
	72,373	32,391
	278,843	216,484

The credit period granted by the Group is generally 30 days. The ageing analysis of trade receivables based on invoice date was as follows:

	2015 HK$'000	2014 HK$'000
Up to 1 month	**43,532**	25,013
1 to 3 months	**34,169**	23,769
3 to 6 months	**7,691**	12,152
Over 6 months	**1,186**	10,033
	86,578	70,967

21 Trade receivables, other receivables, deposits and prepayments *(Continued)*

As at 31 December 2015, trade receivables of HK$43,046,000 (2014: HK$45,954,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
1 to 3 months	**34,169**	23,769
3 to 6 months	**7,691**	12,152
Over 6 months	**1,186**	10,033
	43,046	45,954

The carrying amounts of the Group's trade receivables, other receivables, deposits and prepayments are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**274,567**	205,230
HK$	**4,276**	11,254
	278,843	216,484

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2015 HK$'000	2014 HK$'000
At beginning of year	**–**	4,199
Reversal of provision for impairment of trade receivables	**–**	(4,164)
Currency translation differences	**–**	(35)
At end of year	**–**	–

The creation and release of provision for impairment of trade receivables have been included in "general and administrative expenses" in the consolidated income statements (Note 6). Amounts charged to the allowance account are written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

22 Available-for-sale financial assets

	2015 HK$'000	2014 HK$'000
At beginning of year	–	45,991
Disposal	–	(44,664)
Currency translation difference	–	(1,327)
At end of year	–	–

The Group realised revaluation gain of HK$203,000 from equity to the consolidated income statement upon its disposal during the year ended 31 December 2014.

23 Restricted deposits

	2015 HK$'000	2014 HK$'000
Restricted deposits, denominated in RMB	**156,560**	6,338

Restricted deposit of HK$7,162,000 (2014: HK$6,338,000) represents deposit pledged for a BOT service concession arrangement in relation to Zhanjiang Yuefeng WTE plant. Restricted deposit of HK$149,398,000 (2014: nil) represent deposit pledged for bank borrowings of the Group. The effective interest rate on restricted deposits is 0.3%–0.35% per annum (2014: 0.35% per annum). These restricted deposits are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

24 Short-term bank deposits

	2015 HK$'000	2014 HK$'000
Time deposits, denominated in RMB	–	126,764

As at 31 December 2014, the weighted average effective interest rate on short-term bank deposits of the Group was 3.2% per annum, and these deposits have original maturity dates ranging from 185 to 365 days. These short-term bank deposits were deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

25 Cash and cash equivalents

	2015 HK$'000	2014 HK$'000
Cash at bank and on hand	**219,468**	1,201,408
Bank deposits	**229,668**	126,764
	449,136	1,328,172

The weighted average effective interest rate on bank deposits of the Group was 0.2% and 6.6% for HK$ and RMB bank deposits respectively (2014: 3.7% for RMB bank deposit) and these bank deposits had original maturity dates of three months or less.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**191,414**	183,465
HK$	**239,017**	981,551
US$	**18,705**	163,156
	449,136	1,328,172

As at 31 December 2015, the Group's cash and cash equivalents balances of approximately HK$181,594,000 (2014: HK$56,675,000), are deposited with banks in the PRC, where the remittance of funds is subject to foreign exchange control.

26 Share capital, share premium and other reserves

(a) Share capital and share premium

	2015	2014
Authorised:		
Number of ordinary shares		
As at 1 January	**5,000,000,000**	–
Initial authorised share capital (ordinary shares of HK$0.01 each) as at 28 January 2014 (date of incorporation)	**–**	38,000,000
Increase in authorised share capital (ordinary shares of HK$0.01 each) pursuant to the written resolution passed by the sole shareholder of the Company on 7 December 2014	**–**	4,962,000,000
As at 31 December	**5,000,000,000**	5,000,000,000
Equivalent nominal value of ordinary shares (HK$'000)	**50,000**	50,000
Issued and fully paid:		
Number of ordinary shares		
As at 1 January	**2,000,000,000**	–
Ordinary shares of HK$0.01 each as at 28 January 2014 (date of incorporation)	**–**	1
Issue of new shares on 25 April 2014 (Note i)	**–**	1,152,380
Issue of new shares pursuant to the global offering (Note ii)	**–**	500,000,000
Capitalisation of shares (Note iii)	**–**	1,498,847,619
As at 31 December	**2,000,000,000**	2,000,000,000
Equivalent nominal value of ordinary shares (HK$'000)	**20,000**	20,000

Notes:

(i) On 25 April 2014, the Company issued 1,152,380 with nominal value of HK$0.01 each.

(ii) On 29 December 2014, the Company issued 500,000,000 new shares with nominal value of HK$0.01 each for the placing at the offer price of HK$2.33 each (the "Global Offering"). The share issuance cost relating to the new shares amounted to HK$96,454,000, of which HK$33,067,000 is recognised in profit and loss and HK$60,232,000 is debited to share premium account of the Company.

(iii) On 29 December 2014, the Company capitalised HK$14,988,000 by debiting the share premium account of the Company and applied such sum to pay up in full at par a total of 1,498,847,619 shares for allotment and issue to the then shareholders in proportion to their respectively shareholdings.

(iv) In connection with the Global Offering, the Company granted the Over-allotment Option to the international underwriters of the Global Offering ("International Underwriters"), exercisable by the global coordinator of the Global Offering or their agent on behalf of the International Underwriters at any time from the Listing date of the Company up to (and including) the date which is the 30th day after the last date for the lodging of application forms under the public offer and preferential offer. Pursuant to the Over-allotment Option, the global coordinator or their agent had the right to require the Company to allot and issue up to an aggregate of 75,000,000 additional new shares of the Company, representing in aggregate 15% of the offer shares initially available under the Global Offering and that these shares were issued at the offer price of HK$2.33 each. No Over-allotment Option was exercised.

26 Share capital, share premium and other reserves *(Continued)*

(a) Share capital and share premium *(Continued)*

Notes: *(Continued)*

(v) On 7 December 2014, the board of Directors of the Company approved a share option scheme (the "Share Option Scheme") for the issuance of in aggregate no more than 10% in nominal amount of the aggregate of shares in issue on the Listing date of the Company, representing 200,000,000 shares (subject to the terms of the scheme and the relevant provisions under the Rules Governing the Listing of Securities on the Stock Exchange). Share options to be granted under the Share Option Scheme will be effective for ten years from the date of grant. Upon to the date of the approval of these consolidated financial statements, 3,000,000 share options were granted under the Share Option Scheme.

(b) Other reserves

(i) Capital reserve

Mr. Lai Kin Man transferred 15% beneficial interest in Eco-Tech to the Group in October 2011 as a deemed capital contribution of HK$63,041,000, being the difference between its fair value and consideration, was recognised.

On 30 June 2013, Mr. Lai Kin Man waived a payable balance of HK$297,422,000 due from the Group. This was recognised as a deemed capital contribution during the same period.

On 30 June 2014, Best Approach Developments Limited, the immediate holding company, waived a payable balance of HK$344,481,000 due from the Group. This was recognised as a deemed contribution during the same period.

(ii) Statutory reserve

Pursuant to the Articles of Association of Group's certain subsidiaries incorporated in the PRC, these subsidiaries transfer 10% of their net profit as determined in accordance with the Accounting Rules and Regulations of the PRC to their statutory reserve funds unless the statutory reserve balances of respective subsidiaries have reached 50% or more of their registered capital.

(iii) Other reserve

Other reserve represent the difference between the fair value of consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries being acquired from non-controlling interest holders.

(iv) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted to employees, officers or directors of the Company or any of its subsidiaries under the Company's Share Option Scheme.

26 Share capital, share premium and other reserves *(Continued)*

(c) Share options

On 24 April 2015, the board of the Company has granted share options to certain employees, officers and directors of the Company or any of its subsidiaries to subscribe for a total of 3,000,000 ordinary shares of the Company under the Share Option Scheme adopted on 7 December 2014. The acceptance of the grant of the share option can be made with a payment of HK$1 from the grantee. All share options granted were accepted. All share options granted under the Share Option Scheme are exercisable in whole or in part within 10 years from the date of grant. The details of the share options granted are as follows:

– Number of share options granted	3,000,000
– Exercise price	HK$4.39 per share
– Share option life	10 years
– Exercisable period	24 April 2015 to 23 April 2025

The weighted average fair value of the share options granted on 24 April 2015 measured at the date of grant was HK$1.9445 per share option based on the following assumptions using the Binomial Lattice Model:

– Share price at the grant date	HK$4.39 per share
– Expected volatility of the Company's share price	61% per annum
– Average risk-free interest rate (based on Hong Kong Government Bonds)	1.43% per annum

The expected volatility are based on historical volatility of comparable companies. Changes in the above assumptions could materially affect the share options' fair value estimate.

No share option granted was exercised or lapsed during the year ended 31 December 2015.

27 Borrowings

	2015 HK$'000	2014 HK$'000
Bank borrowings, secured		
Non-current	**1,098,852**	776,110
Current	**321,043**	252,576
Total	**1,419,895**	1,028,686

The repayment terms of the long-term bank borrowings are analysed as follows:

	2015 HK$'000	2014 HK$'000
Within 1 year	**321,043**	252,576
Between 1 and 2 years	**179,064**	164,476
Between 2 and 5 years	**668,285**	504,519
Over 5 years	**251,503**	107,115
	1,419,895	1,028,686

Bank borrowings are secured by rights to collect revenue from power sales and waste handling services, land use rights (Note 15), property, plant and equipment (Note 16), intangible assets (Note 17), bank deposits (Note 23) and corporate guarantees (Note 33).

All of the Group's bank borrowings are denominated in RMB.

The effective interest rates of bank borrowings per annum at the balance sheet date were as follows:

	2015 %	2014 %
Term loans – secured	**5.15-6.90**	6.08-7.36

As at 31 December 2015, the Group had unutilised banking facilities of HK$342,432,000, with which HK$225,299,000 has been subsequently drawn and received by the Group as at the date of this annual report.

28 Trade and other payables

	2015 HK$'000	2014 HK$'000
Non-current liabilities		
Other payables (Note)	**37,300**	–
Current liabilities		
Trade payables	**49,642**	25,696
Accruals and other payables (Note)	**411,361**	186,967
	461,003	212,663
	498,303	212,663

Note: The balances mainly include accrued staff costs and other staff benefits, construction payables and VAT payables.

The ageing analysis of the trade payables based on invoice date was as follows:

	2015 HK$'000	2014 HK$'000
Up to 1 month	**34,192**	12,643
1 to 2 months	**2,914**	7,293
2 to 3 months	**3,187**	2,159
Over 3 months	**9,349**	3,601
	49,642	25,696

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**490,116**	193,069
HK$	**8,187**	19,594
	498,303	212,663

29 Dividend

The board of Directors did not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

30 Business combinations

(a) Acquisition of Laibin Zhongke

On 26 May 2015, Kewei entered into sale and purchase agreements with Fujian Zhongan Tongyong Energy Environmental Protection Company Limited ("Fujian Zhongan") and Beijing China Sciences General Energy & Environment Co., Ltd. ("Beijing China Sciences"), two individual third parties, to acquire 100% equity interest in Laibin Zhongke at a total consideration of RMB73,300,000 (equivalent to HK$88,913,000). Laibin Zhongke operates a WTE plant in Laibin City, Guangxi Zhuang Autonomous Region based on a BOT contract. This transaction has been completed on 14 August 2015. As a result of the acquisition, Laibin Zhongke became a wholly owned subsidiary of the Group.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired, liabilities assumed at the acquisition date.

	As at 14 August 2015 HK$'000
Consideration:	
— Payables to Fujian Zhongan and Beijing China Sciences to acquire 100% equity interest in Laibin Zhongke	88,913
Total consideration transferred	88,913
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	11,467
Intangible assets — concession rights (Note 17)	156,655
Gross amount due from a customer for contract work	154,604
Property, plant and equipment (Note 16)	413
Non-current other receivables	8
Inventories	353
Trade receivables	3,548
Deposits, prepayments and other receivables	893
Trade and other payables	(154,628)
Borrowings	(61,257)
Deferred income tax liabilities (Note 19)	(23,143)
Total identifiable net assets	88,913

30 Business combinations *(Continued)*

(a) Acquisition of Laibin Zhongke *(Continued)*

Acquisition-related costs of HK$785,000 have been charged to general and administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The net cash outflow from acquisition of Laibin Zhongke approximated HK$77,446,000 during the year ended 31 December 2015, which mainly comprised of cash consideration of RMB73,300,000 (equivalent to HK$88,913,000 at the date of payment) offset by cash and cash equivalent of HK$11,467,000 acquired from Laibin Zhongke.

The fair value of trade receivables is HK$3,548,000. The gross contractual amount for trade receivables due is HK$3,548,000, none of which is expected to be uncollectible.

The revenue included in the consolidated income statement for the period from 14 August 2015 to 31 December 2015 contributed by Laibin Zhongke was HK$12,919,000, Laibin Zhongke also contributed profit of HK$2,135,000 over the same period.

Had Laibin Zhongke been consolidated from 1 January 2015, the consolidated income statement of the Group would show pro-forma revenue of HK$1,437,486,000 and profit of HK$282,460,000 for the year ended 31 December 2015.

Trade and other payables included the amount due to ex-shareholders of HK$139,753,000, while HK$68,785,000 have been settled during 14 August 2015 to 31 December 2015.

(b) Acquisition of Celestial Jade

On 24 August 2015, Yi Feng Development Limited, a wholly-owned subsidiary of the Company, entered into sale and purchase agreements with Mr. Chiang Chun Wai, a natural person and third party, to acquire 100% equity interest in Celestial Jade at a total consideration of RMB230,000,000 (equivalent to HK$278,990,000). Celestial Jade holds the right to construct a WTE plant under a concession right in Qingyuan City, Guangdong Province through its subsidiaries. This transaction has been completed on 24 August 2015. As a result of the acquisition, Celestial Jade became a wholly owned subsidiary of the Group.

30 Business combinations *(Continued)*

(b) Acquisition of Celestial Jade *(Continued)*

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired, liabilities assumed at the acquisition date.

	As at 24 August 2015 HK$'000
Consideration:	
– Payables to Mr. Chiang Chun Wai to acquire 100% equity interest in Celestial Jade	278,990
Total consideration transferred	278,990
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	558
Intangible assets – concession rights (Note 17)	343,797
Property, plant and equipment (Note 16)	69
Deposits, prepayments and other receivables	31
Trade and other payables	(14)
Deferred income tax liabilities (Note 19)	(65,451)
Total identifiable net assets	278,990

Acquisition-related costs of HK$405,000 have been charged to general and administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The net cash outflow from acquisition of Celestial Jade approximated HK$278,432,000 during the year ended 31 December 2015, which mainly comprised of cash consideration of RMB230,000,000 (equivalent to HK$278,990,000 at the date of payment) offset by cash and cash equivalent of HK$558,000 acquired from Celestial Jade.

No revenue was contributed by Celestial Jade for the period from 24 August 2015 to 31 December 2015. The result contributed by Celestial Jade and its subsidiaries for the period since the acquisition was relatively insignificant to the Group.

Had Celestial Jade been consolidated from 1 January 2015, there are no material impact on the consolidated income statement of the Group.

31 Transactions with non-controlling interests

Acquisition of remaining equity interests in Zhanjiang Yuefeng

On 12 May 2015, Kewei entered into a sale and purchase agreement with High Point Investment Group Limited, the non-controlling interests holder of Zhanjiang Yuefeng, to acquire the remaining 45% equity interest in Zhanjiang Yuefeng at a consideration of RMB220,000,000 (equivalent to HK$268,531,000). This transaction has been effectively completed in July 2015 with consideration settled by instalments till October 2015. The Group recognised a decrease in non-controlling interests of HK$119,945,000 and a decrease in equity attributable to equity holders of the Company of HK$148,586,000. The effect of the changes in the ownership interest of Zhanjiang Yuefeng on the equity attributable to equity holders of the Company during the year ended 31 December 2015 is summarised as follows:

	Year ended 31 December 2015 HK$'000
Carrying amount of non-controlling interests acquired	**119,945**
Consideration paid to non-controlling interests	**(268,531)**
Excess of consideration paid recognised within equity	**(148,586)**

32 Commitments

(a) Capital commitments

	2015 HK$'000	2014 HK$'000
Authorised but not contracted to:		
Property, plant and equipment	**559,847**	–
Construction cost for BOT	**666,023**	–
	1,225,870	–
Contracted but not provided for:		
Property, plant and equipment	**211,338**	338,470
Construction cost for BOT	**136,887**	603,639
	348,225	942,109

32 Commitments *(Continued)*

(b) Operating lease commitments

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

	2015 **HK$'000**	2014 HK$'000
Within 1 year	**6,610**	1,955
After 1 year but within 5 years	**7,617**	199
	14,227	2,154

33 Financial guarantees

As at 31 December 2015, there are certain corporate guarantees provided by certain subsidiaries of the Group for each other in respect of their borrowings (Note 27) amounting to HK$596,609,000 (2014: HK$70,988,000).

As at 31 December 2015 and 2014, the Group had no contingent liabilities.

34 Related party transactions

Major related parties that had transactions with the Group were as follows:

Related parties	**Relationship with the Company**
Dongguan Yuexin Construction Co. Ltd. 東莞市粵星建造有限公司 ("Dongguan Yuexin")	A company controlled by Mr. Lai Chun Tung, the Executive Director of the Company
Dongguan Dongchang Concrete Mixing Co., Ltd. 東莞市東長混凝土攪拌有限公司 ("Dongguan Dongchang")	A company controlled by Mr. Lai Kin Man, the Controlling Shareholder of the Company

(a) Transactions with related parties

During the year ended 31 December 2015, the Group paid rental expenses of HK$1,021,000 for office to Dongguan Yuexin as agreed by both parties.

During the year ended 31 December 2014, Dongguan Dongchang collected and processed fly ashes and bottom ashes produced by Eco-Tech for free. Such arrangement was terminated in April 2014.

Other than those disclosed above and elsewhere in this report, the Group did not have any transaction with its related parties during the years ended 31 December 2015 and 2014.

34 Related party transactions *(Continued)*

(b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2015 HK$'000	2014 HK$'000
Wages and salaries	**22,083**	10,502
Pension costs – defined contribution plans	**345**	156
Welfare and other expenses	**2,021**	2,018
Subtotal	**24,449**	12,676
Share option expenses (Note 26(c))	**3,889**	–
Total	**28,338**	12,676

35 Events after the balance sheet date

(a) On 20 January 2016, the Company entered into a convertible loan agreement with International Finance Corporation, pursuant to which International Finance Corporation agreed to lend and the Company agreed to borrow the convertible loan in a principal amount of HK$465,012,000. As at the date of this annual report, the full amount has not yet been drawn.

(b) On 26 January 2016, Kewei entered into an agreement in connection with the acquisition of 100% equity interest in Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited ("Xingyi Hongda") at a consideration of RMB110,000,000 (equivalent to HK$130,900,000). Xingyi Hongda currently operates a WTE plant in Xingyi City, Guizhou Province. As at the date of this annual report, the transaction has yet to be completed.

(c) On 23 February 2016, the Group has entered into a loan agreement with Bank of Communications for loan amount of RMB400,000,000 (equivalent to HK$480,000,000). RMB20,000,000 (equivalent to HK$24,000,000) has been drawn and received by the Group as at the date of this annual report. This loan will be repayable by instalments till February 2026.

(d) On 10 March 2016, Kewei was conditionally awarded a BOT concession right by Beiliu Municipal Bureau of City Administration and Law Enforcement. A framework agreement was entered in this regard. As at the date of this annual report, no concession agreement has been entered.

36 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	2015 HK$'000	2014 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**2,042,494**	1,055,526
Current assets		
Prepayment and other receivables	**391**	–
Amounts due from subsidiaries	**–**	9,053
Cash and cash equivalents	**248,464**	1,101,618
	248,855	1,110,671
Total assets	**2,291,349**	2,166,197
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**20,000**	20,000
Share premium (Note a)	**1,084,780**	1,084,780
Capital reserve (Note a)	**1,055,525**	1,055,525
Share option reserve (Note a)	**5,834**	–
Retained earnings/(accumulated losses) (Note a)	**109,840**	(28,672)
Total equity	**2,275,979**	2,131,633
LIABILITIES		
Current liabilities		
Other payables	**3,456**	4,796
Amounts due to subsidiaries	**11,914**	29,768
Total liabilities	**15,370**	34,564
Total equity and liabilities	**2,291,349**	2,166,197
Net current assets	**233,485**	1,076,107

The balance sheet of the Company was approved by the Board of Directors on 22 March 2016 and was signed on its behalf.

Lee Wing Yee Loretta
Director

Lai Chun Tung
Director

36 Balance sheet and reserve movement of the Company *(Continued)*

Balance sheet of the Company *(Continued)*

Note a:

	Share premium HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Refained earnings/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 January 2014	–	–	–	–	–
Issuance of ordinary shares (Note 26(a))	1,160,000	–	–	–	1,160,000
Share capitalisation issue (Note 26(a))	(14,988)	–	–	–	(14,988)
Professional expenses incurred in connection with the Company's listing (Note 26(a))	(60,232)	–	–	–	(60,232)
Deemed contribution from shareholders (Note (i))	–	1,055,525	–		1,055,525
Loss for the year	–	–	–	(28,672)	(28,672)
Balance at 31 December 2014	1,084,780	1,055,525	–	(28,672)	2,111,633
Balance at 1 January 2015	**1,084,780**	**1,055,525**	**–**	**(28,672)**	**2,111,633**
Employees share option scheme – value of employee services (Note 26(c))	**–**	**–**	**5,834**	**–**	**5,834**
Profit for the year	**–**	**–**	**–**	**138,512**	**138,512**
Balance at 31 December 2015	**1,084,780**	**1,055,525**	**5,834**	**109,840**	**2,255,979**

Note (i): This capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal consideration payable by the Company for the acquisition of subsidiaries pursuant to the reorganisation completed in 2014.

Financial Summary

Consolidated Assets, Equity and Liabilities

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets	**3,664,772**	2,201,062	851,322	849,418	883,686
Current assets	**803,145**	1,566,354	389,276	139,282	130,225
Total assets	**4,467,917**	3,767,416	1,240,598	988,700	1,013,911
EQUITY AND LIABILITIES					
Total equity	**2,334,401**	2,417,964	761,800	228,853	102,399
Non-current liabilities	**1,348,289**	881,939	324,464	367,066	425,062
Current liabilities	**785,227**	467,513	154,334	392,781	486,450
Total liabilities	**2,133,516**	1,349,452	478,798	759,847	911,512
Total equity and liabilities	**4,467,917**	3,767,416	1,240,598	988,700	1,013,911

Consolidated Income Statement

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,184,536**	793,967	390,173	387,134	154,470
Cost of sales	**(745,212)**	(451,646)	(187,537)	(180,367)	(59,474)
Gross profit	**439,324**	342,321	202,636	206,767	94,996
General and administrative expenses	**(111,646)**	(96,723)	(41,739)	(35,147)	(16,878)
Other income	**49,158**	51,467	14,039	13,698	2,585
Other gain/(loss), net	**4,325**	381	(725)	(808)	(2,016)
Operating profit	**381,161**	297,446	174,211	184,510	78,687
Interest income	**11,897**	5,525	908	264	85
Interest expense	**(63,271)**	(67,334)	(26,769)	(31,839)	(25,105)
Profit before income tax	**329,787**	235,637	148,350	152,935	53,667
Income tax expenses	**(40,892)**	(27,278)	(17,381)	(26,395)	(11,144)
Profit for the year	**288,895**	208,359	130,969	126,540	42,523
Attributable to:					
Equity holders of the Company	**272,001**	191,038	130,969	126,540	38,743
Non-controlling interests	**16,894**	17,321	–	–	3,780
Earnings per share (expressed in HK cents per share)					
— Basic (note)	**13.6**	12.7	8.7	8.4	2.6
— Diluted	**13.6**	12.7	N/A	N/A	N/A

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 December 2014, 2013, 2012 and 2011 have been retrospectively adjusted to reflect 1,152,380 shares and 1,498,847,619 shares issued upon the reorganisation completed on 19 May 2014 and capitalisation completed on 29 December 2014, respectively.

Corporate Information

Board of Directors

Executive Directors

Ms. Lee Wing Yee Loretta
(Chairlady and Executive Director)
Mr. Lai Kin Man
(Deputy Chairman and Executive Director)
Mr. Yuan Guozhen
(Chief Executive Officer and Executive Director)
Mr. Lai Chun Tung (Executive Director)

Non-Executive Directors

Mr. Lui Ting Cheong Alexander
Mr. Lai Yui

Independent Non-executive Directors

Professor Sha Zhenquan
Mr. Chan Kam Kwan Jason
Mr. Chung Wing Yin

Board Committees

Audit Committee

Mr. Chan Kam Kwan Jason (Chairperson)
Professor Sha Zhenquan
Mr. Chung Wing Yin

Remuneration Committee

Professor Sha Zhenquan (Chairperson)
Mr. Chan Kam Kwan Jason
Mr. Chung Wing Yin

Nomination Committee

Mr. Chung Wing Yin (Chairperson)
Professor Sha Zhenquan
Mr. Chan Kam Kwan Jason

Corporate Governance Committee

Mr. Chan Kam Kwan Jason (Chairperson)
Ms. Lee Wing Yee Loretta
Professor Sha Zhenquan
Mr. Chung Wing Yin

Company Secretary

Ms. Wong Ling Fong Lisa *(HKICPA)*

Authorised Representatives

Ms. Lee Wing Yee Loretta
Ms. Wong Ling Fong Lisa

Auditors

PricewaterhouseCoopers

Legal Advisors

as to Hong Kong law:
King & Wood Mallesons

as to BVI and Cayman Islands law:
Maples and Calder

Principal Bankers

Dongguan Rural Commercial Bank Co. Ltd.
The Hong Kong and Shanghai Banking Corporation Limited

Compliance Adviser

Haitong International Capital Limited

Registered Office

PO Box 309, Ugland House
Grand Cayman, KY1-1104,
Cayman Islands

Principal Place of Business in Hong Kong

Unit 6803B, 68/F.,
International Commerce Centre,
1 Austin Road West,
Kowloon,
Hong Kong
(with effect from 8 September 2015)

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman Limited)
PO Box 1093, Boundary Hall,
Cricket Square, Grand Cayman,
KY1-1102, Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

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

Investor Relations

E-mail : info@canvest.com.hk
Telephone : (852) 2668 6596
Facsimile : (852) 2668 6597

Website

www.canvestenvironment.com

Listing Information

Equity Securities Listing

The Company's ordinary shares are listed on the Main Board of Hong Kong Stock Exchange (Stock Code: 1381).

Annual General Meeting

The 2016 AGM will be held on Thursday, 16 June 2016. Notice of 2016 AGM is set out in the Company's circular and is dispatched together with this annual report to the Shareholders. Notice of 2016 AGM and the proxy form are published on Canvest's website (www.canvestenvironment.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Despatch of Corporate Communications

This annual report is printed in both English and Chinese versions and is delivered to Shareholders. This annual report is also published on Canvest's website (www.canvestenvironment.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk).

For environment protection reasons, the Company encourages Shareholders to view the contents of this annual report posted on the aforesaid websites.

Glossary

AGM	Annual general meeting
Best Approach	Best Approach Developments Limited (臻達發展有限公司), a company incorporated under the laws of BVI on 2 January 2014 with limited liability and a controlling shareholder of the Company
Board	the board of Directors
BOO	build-own-operate, a project model in which a private entity builds, owns and operates their facilities and assets with no obligation to transfer their ownership of their relevant facilities and assets to any specified parties at any specified time
BOT	build-operate-transfer, a project model in which a private entity receives a concession from the public sector to finance, design, construct and operate a facility stated in the concession contract for a definite period of time and transfer the facility and assets to the public sector after the completion of the concession period, at which point the obligation of the private entity to operate the designed and constructed facility effectively terminates
BVI	the British Virgin Islands
Canvest Consultancy	Dongguan Canvest Enterprise Consultancy and Management Company Limited (東莞市粵豐企業諮詢管理有限公司), a company established under the laws of the PRC with limited liability on 10 April 2014 and an indirect wholly owned subsidiary of the Company
Canvest or the Company	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 28 January 2014, and where the text requires, "we", "us" or "our" shall mean the Group
Cash generated from operating projects*	Net cash used for/generated from operating activities for the year, excluding net operating cash used in relation to the BOT arrangement under Zhanjiang Yuefeng
Celestial Jade	Celestial Jade Limited (天翠有限公司), a company incorporated in BVI with limited liability and became an indirectly wholly owned subsidiary of the Company since 24 August 2015
Century Rise	Century Rise Development Limited (誠朗發展有限公司), a company incorporated under the laws of BVI on 6 January 2012 with limited liability and a controlling shareholder of the Company
China or PRC	the People's Republic of China, except where the context otherwise requires, does not include Hong Kong, Macau Special Administrative Region and Taiwan
China Scivest	Dongguan China Scivest Environmental Power Company Limited (東莞粵豐環保電力有限公司)(formerly known as 東莞中科環保電力有限公司), a company established under the laws of the PRC with limited liability on 5 November 2004 and an indirect wholly owned subsidiary of the Company
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
CPNE	China Power New Energy Development Company Limited (formerly Oriental Investment Corporation Limited), a company incorporated in Bermuda whose shares are listed on the Stock Exchange (stock code: 735) and is an Independent Third Party

Glossary

Director(s)	director(s) of the Company
Dongguan Municipal Administration	東莞市城市綜合管理局, formerly known as Dongguan Municipal Utilities Administration (東莞市市政公用事業管理局), a government department under the Dongguan People's Government responsible for municipal management, and an Independent Third Party
EBITDA*	Earnings before interest expense, income tax expense, depreciation and amortisation
Eco-Tech	Dongguan Eco-Tech Environmental Power Company Limited (東莞市科偉環保電力有限公司), a company established under the laws of the PRC with limited liability on 19 June 2003 and an indirect wholly owned subsidiary of the Company
Euromonitor Report	the report entitled "Waste to Energy Market in Mainland China" issued by Euromonitor International Limited
Group	the Company and its subsidiaries
Harvest Vista Trust	The Harvest VISTA Trust, a discretionary trust founded by Ms. Loretta Lee and Mr. KM Lai, with Ms. Loretta Lee, Ms. Loretta Lee's personal trust and Mr. KM Lai as beneficiaries
Hong Kong	Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
IFC	International Finance Corporation, an international organisation established by Articles of Agreement among its member countries
Independent Third Party(ies)	an individual(s) or a company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules), the directors, the chief executives and the substantial shareholders of our Company and our subsidiaries and their respective associates
Kewei	Dongguan Kewei Environmental Power Company Limited (東莞科維環保投資有限公司) (formerly known as 東莞市科維環保電力有限公司), a company established under the laws of the PRC with limited liability on 13 February 2009 and an indirect wholly owned subsidiary of the Company
kWh	kilowatt-hour. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
Laibin Zhongke	Laibin Zhongke Environmental Power Company Limited (來賓中科環保電力有限公司), a company established in the PRC with limited liability and became an indirect wholly owned subsidiary of the Company since 14 August 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Listing Date	29 December 2014, the date which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
Main Board	the Main Board of the Hong Kong Stock Exchange

Glossary

Mr. CT Lai	Mr. Lai Chun Tung (黎俊東), an executive Director and the husband of Ms. Loretta Lee and a cousin of Mr. KM Lai and Ms. Guo Huilian, a senior management
Mr. KM Lai	Mr. Lai Kin Man (黎健文), also known as Li Jianwen (黎建文), one of our controlling shareholders and an executive Director, our deputy chairman and a cousin of Mr. CT Lai and Ms. Guo Huilian, a senior management
Ms. Loretta Lee	Ms. Lee Wing Yee, Loretta (李詠怡), one of our controlling shareholders, an executive Director, chairlady of our Company, the wife of Mr. CT Lai, the sister of Mr. Lee Kar Lung and cousin-in-law of Mr. KM Lai and Ms. Guo Huilian, a senior management
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
MSW	municipal solid waste, a waste type consisting of everyday solid items that are produced from urban residents' daily life activities and services for their everyday life, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.
RMB	Renminbi, the lawful currency of PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company
Shareholder(s)	holders of Shares
VAT	Value-added tax
VISTA Co	Harvest Vista Company Limited, a company incorporated in the British Virgin Islands on 18 June 2014, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of Harvest VISTA Trust
WTE	waste-to-energy, the process of generating electricity from the incineration of waste
Xingyi Hongda	Qianxinanzhou Xingyi City Hongda Environmental Power Company Limited (黔西南州興義市鴻大環保電力有限公司), a company established in the PRC with limited liability
Yi Feng	Yi Feng Development Limited, a company incorporated in BVI with limited liability and a wholly owned subsidiary of the Company
Zhanjiang Yuefeng	Zhanjiang Yuefeng Environmental Power Company Limited (湛江市粵豐環保電力有限公司), a company established under the laws of the PRC on 3 April 2013 with limited liability and an indirectly wholly owned subsidiary of the Company
%	per cent

* Cash generated from operating projects and EBITDA are non-HKFRS measures which are useful in gaining a more complete understanding of the Group's operational performance and of the underlying trends of its business. Additionally, as the Group has historically reported certain non-HKFRS results to investors, the Group considers the inclusion of non-HKFRS measures provides consistency in our financial reporting.