CAPITAL ENVIRONMENT HOLDINGS LIMITED

首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3989)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the "Board") of Capital Environment Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*4*	**838,138**	963,608
Cost of sales		**(674,129)**	(841,063)
Gross profit		**164,009**	122,545
Other income, gains and losses	*5*	**66,573**	(104,263)
Gain on fair value change of embedded derivatives	*18*	**–**	86,762
Gain on fair value change of warrants	*19*	**79**	3,861
Administrative expenses		**(119,048)**	(103,164)
Share of results of an associate		**8,754**	4,102
Finance costs	*6*	**(88,929)**	(67,292)
Profit (loss) before tax	*7*	**31,438**	(57,449)
Income tax credit (expense)	*8*	**536**	(5,080)
Profit (loss) for the year		**31,974**	(62,529)

	NOTE	2015 HK$'000	2014 HK$'000
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation:			
Exchange difference arising during the year		**(104,318)**	(21,012)
Exchange difference arising from associates during the year		**(4,511)**	(6,112)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale financial assets		**5,922**	–
Other comprehensive expense for the year (net of tax)		**(102,907)**	(27,124)
Total comprehensive expense for the year		**(70,933)**	(89,653)
Profit (loss) for the year attributable to:			
Owners of the Company		**23,518**	(68,266)
Non-controlling interests		**8,456**	5,737
		31,974	(62,529)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(75,613)**	(90,852)
Non-controlling interests		**4,680**	1,199
		(70,933)	(89,653)
			(Restated)
Earning (loss) per share	*10*		
Basic		**HK0.30 cents**	HK(1.21) cents
Diluted		**HK0.30 cents**	HK(2.33) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	NOTES	**2015** **HK$'000**	2014 *HK$'000*
Non-current assets			
Property, plant and equipment		**121,472**	118,084
Intangible assets		**411,151**	360,210
Goodwill		**21,035**	13,810
Prepaid lease payments		**87,637**	69,121
Amounts due from grantors for contract work	*11*	**1,155,168**	1,330,171
Available-for-sale investments	*12*	**103,207**	–
Interests in associates		**114,372**	108,090
Deposits paid for construction of infrastructure in service concession arrangements	*13*	**63,043**	101,658
Deposits, prepayments and other receivables		**65,244**	4,375
Deferred tax assets		**11,475**	–
		2,153,804	2,105,519
Current assets			
Inventories		**31,137**	26,294
Trade receivables	*14*	**317,560**	217,656
Deposits, prepayments and other receivables		**82,262**	55,269
Amounts due from grantors for contract work	*11*	**52,742**	72,695
Prepaid lease payments		**1,997**	1,238
Amount due from an associate		**42,919**	23,141
Pledged bank deposits		**–**	22,077
Bank balances and cash		**1,201,352**	468,231
		1,729,969	886,601
Assets classified as held for sale	*15*	**308,037**	–
		2,038,006	886,601

	NOTES	2015 HK$'000	2014 HK$'000
Current liabilities			
Trade payables	*16*	**25,934**	132,297
Other payables and accruals		**145,176**	322,834
Provisions		**955**	9,038
Deferred income		**1,671**	945
Taxation payable		**52,741**	54,641
Borrowings	*17*	**458,723**	1,025,913
Convertible bonds	*18*	**–**	63,674
Warrants	*19*	**–**	79
		685,200	1,609,421
Liabilities associated with assets classified as held for sale	*15*	**132,964**	–
		818,164	1,609,421
Net current assets (liabilities)		**1,219,842**	(722,820)
Total assets less current liabilities		**3,373,646**	1,382,699
Non-current liabilities			
Deferred income		**45,585**	42,805
Borrowings	*17*	**479,452**	636,919
Deferred tax liabilities		**21,664**	10,435
		546,701	690,159
		2,826,945	692,540
Capital and reserves			
Share capital		**975,315**	473,150
Reserves		**1,623,691**	15,739
Equity attributable to owners of the Company		**2,599,006**	488,889
Non-controlling interests		**227,939**	203,651
		2,826,945	692,540

Note:

1. GENERAL

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

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

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates. As the Company is a listed entity on the Stock Exchange, the consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the readers.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

The directors of the Company do not anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016.

The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 *Investments in Associates and Joint Ventures* clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

3. SEGMENT INFORMATION

The Group has been operating with one reportable and operating segment, being the waste treatment and waste-to-energy business. Since there is only one reportable and operating segment, no segment information except for entity-wide disclosure is provided.

The revenue of services is set out in Note 4.

Geographical information

The Group's operations are principally located in the PRC (country of domicile) excluding Hong Kong.

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

	Revenue from external customers		**Non-current assets**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (country of domicile)	**838,138**	963,608	**895,329**	775,222
Hong Kong	**–**	–	**103,307**	126
	838,138	963,608	**998,636**	775,348

Note: Non-current assets excluded financial instruments.

Information about major customers

During the year ended 31 December 2015, revenue from government authorities contributing over 97% (2014: 97%) of the total revenue of the Group amounted to approximately HK$818,430,000 (2014: approximately HK$940,374,000) is attributable to the reportable segment of waste treatment and waste-to-energy business.

4. REVENUE

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

	2015	2014
	HK$'000	*HK$'000*
Provision of construction service under service concession arrangements	**250,957**	505,360
Provision of operation service under service concession arrangements	**54,526**	60,244
Effective interest income on amounts due from grantors for contract work	**85,734**	52,410
Provision of dismantling services	**409,847**	322,360
Electricity tariff	**17,366**	–
Consultancy fee income	**19,708**	23,234
	838,138	963,608

5. OTHER INCOME, GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**18,614**	1,973
Interest income on amount due from an associate	**2,131**	1,264
Total interest income	**20,745**	3,237
Loss on disposal of property, plant and equipment	**(1,281)**	(474)
Reversal of impairment loss recognised in respect of amount due from an investee	**27,364**	–
Reversal of impairment loss recognised in respect of other receivables *(Note)*	**30,560**	–
Impairment loss on deposits paid for construction of infrastructure in service concession arrangements *(Note 13)*	**–**	(104,918)
Impairment loss recognised in respect of deposits, prepayments and other receivables	**(18,273)**	(6,023)
Loss on disposal of available-for-sale investments	**(927)**	–
Others	**8,385**	3,915
	66,573	(104,263)

Note: Included in the reversal of impairment loss recognised in respect of other receivables, amounting to approximately HK$24,620,000, were the amount recovered from a supplier, 常州聯合鍋爐容器有限公司 (Changzhou Lianhe Boiler Company Limited*) ("Changzhou Lianhe") which has been fully impaired in prior years. During the year, 江蘇省常州市中級人民法院 (Changzhou City People's Court of Jiangsu Province*) has judged that Changzhou Lianhe should repay the amount to the Group and 24% equity interest of Changzhou Lianhe was transferred to the Group for settlement during the year ended 31 December 2015. Therefore, a reversal of impairment loss in respect of other receivables of approximately HK$24,620,000, representing the fair value of the 24% equity interest of Changzhou Lianhe is recognised in 2015.

* *for identification purposes only*

6. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interests on:		
Borrowings wholly repayable within five years	**68,653**	47,393
Convertible bonds	**8,358**	14,288
Convertible notes	**–**	1,682
Bank and other charges	**11,918**	3,929
	88,929	67,292

7. PROFIT (LOSS) BEFORE TAX

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) before tax has been arrived at after charging:		
Directors' and chief executive's emoluments	**4,410**	6,265
Staff costs (excluding directors)		
– other staff costs	**32,312**	28,898
– retirement benefit scheme contribution	**9,780**	5,845
	42,092	34,743
Auditors' remuneration	**3,993**	3,852
Contract cost recognised for construction of waste treatment business (included in cost of sales)	**263,843**	505,360
Depreciation of property, plant and equipment	**16,504**	12,946
Amortisation of prepaid lease payments	**1,736**	1,567
Amortisation of intangible assets *(Note)*	**24,972**	17,972
Net exchange loss	**1,478**	102
Loss on disposal of property, plant and equipment	**1,281**	474

Note: During the year ended 31 December 2015, approximately HK$24,697,000 and approximately HK$275,000 (2014: approximately HK$17,099,000 and approximately HK$873,000) of amortisation of intangible assets were included in cost of sales and administrative expenses, respectively.

8. INCOME TAX (CREDIT) EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current income tax:		
Other jurisdictions	**318**	8,010
Deferred tax	**(854)**	(2,930)
	(536)	5,080

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Two (2014: one) of the Group's subsidiaries operating in PRC are eligible for certain tax holidays and concessions. One is exempted from PRC income taxes whereas another one is entitled for 50% PRC income taxes reduction for the year.

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

9. DIVIDENDS

No dividend was paid or proposed during 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

10. EARNINGS (LOSS) PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	**23,518**	(68,266)
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	(72,473)
Profit (loss) for the year attributable to owners of the Company for the purpose of diluted earnings (loss) per share	**23,518**	(140,739)

Number of shares

	2015	2014
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**7,714,835**	5,650,248
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	402,821
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**7,714,835**	6,053,069

Note:

The weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share have been adjusted for the bonus element of the rights issue. The weighted average number of ordinary shareholders for the year ended 2014 was restated retrospectively.

The computation of diluted earnings (loss) per share for both years does not assume the exercise of outstanding share options of the Company and the conversion of the outstanding convertible notes of the Company since their assumed exercise would result in an increase in profit/a decrease in loss per share.

11. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

	2015	2014
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current asset	**52,742**	72,695
Non-current asset	**1,155,168**	1,330,171
	1,207,910	1,402,866

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

Several subsidiaries of the Company entered into service concession arrangements with certain government authorities in the PRC ("Grantors") in respect of their waste treatment and waste-to-energy businesses. These subsidiaries acted as operators in these service concession arrangements to construct waste treatment and waste-to-energy plants on a BOT basis, operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The effective interest rate is ranged from 3.6% to 12.55% during the year ended 31 December 2015 (2014: 3.6% to 13.58%).

As at 31 December 2015, the major terms of the Group's significant service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to- energy plant	Location	Name of grantor	Service concession period	Waste treatment	Electricity generation	Status	Balance as at 31 December 2015	
								2015	2014
								HK$'000	*HK$'000*
北京一清百瑪士綠色能源有限公司 (Beijing Yiqing Biomax Green Energy Park Co., Ltd.*) ("BJ Yiqing Biomax")	北京市董村分類綜合處理廠 (Beijing Dongcun Sorting Comprehensive Treatment Plant*) ("Beijing Plant")	Dongcun, Beijing	北京市市政管理委員會 (Beijing Municipal Administration Committee*)	January 2014 to December 2038 (25 years) *(Note 1)*	930 tonnes *(Note 1)*	36 million kWh	Trial run *(Note 1)*	**N/A** *(Note 4)*	282,616
南昌百碼士綠色能源有限公司(Nanchang Biomax Green Energy Co., Ltd.*)	南昌市垃圾焚燒發電廠 (Nanchang Solid Waste Incineration Power Generation Plant*)	Quanling, Nanchang	南昌市市環境管理局 (Nanchang City Environment Administration Bureau*)	25 years after obtaining the approval for commercial operation *(Note 2)*	1,200 tonnes	131 million kWh	Trial run *(Note 2)*	**734,127**	681,006

* *for identification purpose only*

Name of subsidiary as operator	Name of waste treatment and waste-to- energy plant	Location	Name of grantor	Service concession period	Waste treatment	Electricity generation	Status	Balance as at 31 December 2015 HK$'000	2014 HK$'000
都勻市科林環保有限公司 (Duyun Kelin Environmental Company Limited*)	都勻市生活垃圾填埋場 (Duyun Municipal Solid Waste Landfill Site*) ("Duyun Site")	Duyun, Guizhou	都勻市人民政府 (Duyun People's Government*)	June 2012 to June 2042 (30 years)	300 tonnes	N/A	Operating	**147,700**	145,359
甕安縣科林環保有限公司 (Weng'an Kelin Environment Company Limited*)	甕安縣生活垃圾填埋場 (Weng'an Municipal Solid Waste Landfill Site*) ("Weng'an Site")	Weng'an, Guizhou	甕安縣人民政府 (Weng'an People's Government*)	30 years after obtaining the approval for commercial operation	150 tonnes	N/A	Operating	**62,692**	58,061
惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) ("Huizhou Guanghui")	惠州市生活垃圾焚燒發電廠 (Huizhou Municipal Solid Waste Incineration Power Generation Plant*)	Gonglian Village, Huizhou	惠州市市容環境衛生管理局 (Huizhou Environmental and Hygiene Control Authority*)	*(Note 3)*	1,600 tonnes	161 million kWh	Operating	**187,687**	175,538
葫蘆島康達錦程環境治理有限公司 (Huludao Kangte Jincheng Environment Management Company Limited*) ("Huludao Kangte")	葫蘆島市生活垃圾填埋場 (Huludao Municipal Solid Waste Landfill Site*)	Huludao, Liaoning	葫蘆島市住房和城鄉建設委員會 (Huludao City Housing and Urban-Rural Construction Commission*)	20 years after obtaining the approval for commercial operation	420 tonnes	N/A	Under construction	**58,130**	50,952

* *for identification purpose only*

Notes:

1. On 25 July 2013, the Company received a notice named "Notice of Accelerating the Construction of Dongcun Waste Sorting Comprehensive Treatment Plant" ("Notice") dated on 23 July 2013 from Beijing Municipal Administration Committee in relation to the amendments of the operational terms and conditions of Beijing Plant, in which the Group currently owns 60% interest. The Notice states that (i) the commencement of the concessionary period will be changed from 31 December 2008 to 1 January 2014 while the concessionary period will be ended at 31 December 2038 instead of 31 December 2034 as stated in the original concessionary agreement; (ii) the minimum guaranteed volume of municipal waste will increase from 360 tonnes to 500 tonnes per day; and (iii) the waste treatment capacity will increase from 650 tonnes per day to 930 tonnes per day.

2. The waste treatment and waste-to-energy plant has started trial run in the year ended 31 December 2015 and expected to start commercial operation in the first half of 2016.

3. Under the cooperation agreement signed on 3 August 2001, the existing plant has a service concession period for 27 years. A new cooperation agreement in respect of the construction and operation of a new waste treatment plant has been signed on 20 August 2013, superseding the one signed on 3 August 2001. Pursuant to the new cooperation agreement, the existing waste treatment plant will continue to operate not more than three years following the signing of the new cooperation agreement, by then it will be demolished and replaced by the new treatment plant for a term of 30 years.

4. The amount is reclassified to assets classified as held for sale as at 31 December 2015. For details, please refer to Note 15.

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

The Group recognised revenue from construction services of approximately HK$250,957,000 (2014: approximately HK$505,360,000) by reference to the stage of completion of the construction work and revenue from operation services of approximately HK$54,526,000 (2014: approximately HK$60,244,000).

Pursuant to the service concession agreements of the Duyun Site and Weng'an Site, the Group is required to surrender these waste treatment and waste-to-energy plants to the grantors at a specified level of serviceability at the end of the respective service concession periods. As at 31 December 2015, provision of approximately HK$955,000 (2014: approximately HK$1,000,000) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions.

12. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
COST		
Listed securities		
– Equity securities listed in HK	**103,207**	–
Unlisted securities		
– Equity securities in the PRC *(Note)*	**34,700**	34,700
– Deemed capital contribution for equity securities in the PRC	**22,144**	22,144
	160,051	56,844
IMPAIRMENT		
At 1 January and 31 December	**(56,844)**	(56,844)
CARRYING VALUES	**103,207**	–

Note:

The unlisted equity securities are issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities in the PRC as at 31 December 2015 and 2014 is the Group's investment in 上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Company Limited*) ("SH Biomax GEP"), a sino-foreign-owned joint venture enterprise established in the PRC, which was acquired on acquisition of Smartview Investment Holdings Limited in 2009. SH Biomax GEP operates a waste treatment and waste-to-energy plant in Shanghai, the PRC on a build-own-operate basis. The investment represents 33.8% equity interest of SH Biomax GEP. Such investment is a passive investment as 上海振環實業總公司 (Shanghai Zhen Huan Industrial Corporation*), a major shareholder of SH Biomax GEP with 37% equity interest has the right to appoint all the directors to govern the financial and operating policies of SH Biomax GEP. In addition, the Group has surrendered all its voting rights in shareholders' meetings of SH Biomax GEP to the major shareholder under a contractual arrangement with the major shareholder. Accordingly, the directors of the Company considered that the Group has no significant influence over the financial and operating policy decision in SH Biomax GEP and hence the investment is accounted for as available-for-sale investment rather than as an associate.

In prior years, the directors of the Company considered the investment cost is irrecoverable, hence impairment loss of investment cost comprising of equity owned by the Group and deemed capital contribution amounting to HK$34,700,000 and HK$22,144,000 were recognised respectively.

* *for identification purpose only*

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

The amount represents advance payments to third party suppliers for purchase of materials and equipment, which have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements. Included in the deposits paid balance is advance payment to a third party supplier, 城市建設研究院 (Urban Construction Design & Research Institute*) ("Urban Construction Institute"), with aggregate carrying amount of approximately HK$47,792,000, net of impairment loss (2014: approximately HK$50,063,000). The Group has submitted a dispute with Urban Construction Institute to an arbitration committee, 南昌仲裁委員會 (Nanchang Arbitration Committee*) during the year ended 31 December 2012.

Subsequent to the first order issued by the Nanchang Arbitration Committee during the year ended 31 December 2013, the Nanchang Arbitration Committee further issued a verdict (the "Verdict") during the year ended 31 December 2014 which determined that most of the deposit paid to Urban Construction Institute for the construction of waste treatment and waste-to-energy plant has been utilised by Urban Construction Institute and approximately HK$50,063,000 (approximately RMB40,050,000) deposit can be refunded to the Group by means of transferring the construction contracts signed between Urban Construction Institute with two independent sub-contractors. The Group had thus recognised an impairment loss on such deposit of approximately HK$104,918,000 (approximately RMB83,620,000) in the profit or loss during the year ended 31 December 2014.

During the year ended 31 December 2015, the Group has filed a litigation to 江西省南昌市中級人民法院 (Intermediate Court of Nanchang, Jiangxi Province*) (the "Intermediate Court") to invalidate the Verdict. The Intermediate Court has subsequently released a ruling (the "Ruling") in favour to the Group, invalidating the Verdict. With reference to the Ruling, the Group has lodged an appeal to the Nanchang Arbitration Committee again and requested a cash refund for all the deposits of approximately HK$154,535,000 (approximately RMB129,500,000) paid to Urban Construction Institute and the relevant interest loss of approximately HK$51,462,000 (approximately RMB43,125,000).

The appeal has been accepted by the Nanchang Arbitration Committee and the Urban Construction Institute appealed to 江西省高級人民法院 (High Court of Jiangxi Province*) ("the High Court") on 23 December 2015 requesting the Group to repay approximately HK$107,876,000 (approximately RMB90,400,000) compensation for the expenses it had incurred. The appeal made by the Group to the Nanchang Arbitration has been subsequently released unconditionally on 15 January 2016 upon the appeal by the Urban Construction Institute made to the High Court. The final resolution from the High Court is not yet released and the amount of deposits refundable from Urban Construction Institute is yet to be finalized. The Group has not made further impairment on such deposits during the year ended 31 December 2015, after taking into account the legal opinion provided by an independent lawyer.

14. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**325,749**	226,397
Less: allowance for doubtful debts	**(8,189)**	(8,741)
	317,560	217,656

The Group allows an average credit period normally of 180 days to its trade customers for both years.

* *for identification purpose only*

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of reporting period. (As at 31 December 2015, the analysis does not include BJ Yiqing Biomax which is reclassified to assets classified as held for sale.)

	2015	2014
	HK$'000	*HK$'000*
0-90 days	**77,289**	76,898
91-180 days	**87,602**	55,446
181-360 days	**135,649**	84,468
Over 360 days	**17,020**	844
	317,560	217,656

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limits by customer.

Included in the Group's trade receivable balance is government subsidies provided by the PRC government for treatment of certain waste electric and electronic products with an aggregate carrying amount of approximately HK$149,288,000 (2014: approximately HK$85,312,000), which are past due as at the reporting date for which the Company has not provided for impairment loss. The Group does not hold any collateral over these balances. In the opinion of the directors of the Company, the credit risk on these balances are limited because the customers are government authorities.

Aging of trade receivables which are past due but not impaired

	2015	2014
	HK$'000	*HK$'000*
Overdue by:		
181-360 days	**135,649**	84,468
Over 360 days	**17,020**	844
	152,669	85,312

Movement in the allowance for doubtful debts

	2015	2014
	HK$'000	*HK$'000*
Balance at the beginning of the year	**8,741**	8,452
Exchange realignment	**(552)**	289
Balance at the end of the year	**8,189**	8,741

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$8,189,000 (2014: approximately HK$8,741,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

15. ASSETS HELD FOR SALE

On 12 November 2015, the Group has entered into a sales and purchase agreement regarding the disposal of 40% equity interest of BJ Yiqing Biomax (the "Disposal"), one of the subsidiaries of the Group, which is engaged in a waste treatment project in Beijing Dongcun at the total consideration of approximately HK$45,724,000 (approximately RMB37,479,000), to 北京環境衛生工程集團有限公司 (Beijing Environment Sanitation Engineering Group Company Limited*) (the "Buyer") which is also the 40% equity interest shareholder of BJ Yiqing Biomax.

As at 31 December 2015, the Group and the Buyer obtained approval from the local authorities for the Disposal. On 29 January 2016, the consideration for the 40% equity interest of BJ Yiqing Biomax was paid to the Group. The Disposal is expected to be completed in the first half of 2016 and the 40% of equity interest would be transferred to the Buyer when the Group and the Buyer complete share transfer registration.

The assets and liabilities attributable to BJ Yiqing Biomax, which are expected to be disposed within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2015 (see below). The net proceeds of disposal are expected to be equivalent to approximately net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of BJ Yiqing Biomax classified as held for sale are as follows:

	HK$'000
Property, plant and equipment	**280**
Prepaid lease payments	**2,079**
Amount due from a grantor for contract work	**287,538**
Deposits paid for construction of infrastructure in service concession arrangements	**1,899**
Deferred tax assets	**2,215**
Deposits, prepayments and other receivables	**7,736**
Bank balances and cash	**6,290**
Assets classified as held for sale	**308,037**
Trade payables	**(7,209)**
Other payables and accruals	**(37,827)**
Bank borrowings	**(87,928)**
Liabilities associated with asset classified as held for sale	**(132,964)**

* *for identification purposes only*

16. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. (As at 31 December 2015, the analysis does not include BJ Yiqing Biomax which is reclassified to assets classified as held for sale.)

	2015	2014
	HK$'000	*HK$'000*
0-90 days	**15,360**	91,823
91-180 days	**611**	171
181-360 days	**–**	18,697
Over 360 days	**9,963**	21,606
	25,934	132,297

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

17. BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Bank loans	**938,175**	1,107,082
Other loans *(Note)*	**–**	555,750
	938,175	1,662,832
Secured loan	**938,175**	1,598,332
Unsecured loan	**–**	64,500
	938,175	1,662,832

Note:

Included in other loans as at 31 December 2014, amounting to HK$2,500,000 is a variable-rate borrowing loan, that will be repayable on demand with a non-controlling shareholder of a subsidiary. The balance is unsecured and carries interest at PRC Benchmark Loan Rate.

Included in other loans as at 31 December 2014, amounting to approximately HK$553,250,000 were loans advanced from related parties, these loans has been repaid and the relevant pledges were released during the year ended 31 December 2015.

In October 2013, the Company entered into a fixed-rate long-term loan agreement with the substantial shareholder of the Company, Beijing Capital (HK) Limited ("Beijing Capital (HK)"), of HK$220,000,000 that was due in October 2015. HK$160,000,000 had been drawn down as at 31 December 2013 and the remaining amount of HK$60,000,000 was drawn down as at 31 December 2014. The balance is secured by the equity interest of subsidiaries and an associate held by the Group and carries interest at a fixed rate of 5.13% per annum.

During the year ended 31 December 2014, the Company entered into a fixed-rate short-term loan agreement of HK$150,000,000 with Beijing Capital (HK). The loan was matured in September 2015. The balance is secured by the equity interest of a subsidiary held by the Group and carries interest at fixed rate of 5.50% per annum.

The Company has entered also into a fixed-rate short-term loan agreement of US$8,000,000 (approximately HK$62,000,000) with Beijing Capital (HK) during the year ended 31 December 2014. The loan will be repayable on demand as the Group and Beijing Capital (HK) have mutually agreed to extend the loan until Beijing Capital (HK) demands for repayment. The balance is unsecured and carries interest at a fixed rate of 5.50% per annum.

During the year ended 31 December 2012, the Group entered into three fixed-rate loan agreements ("Original Loan Agreements") with Beijing Capital (HK) of RMB40,000,000, RMB21,000,000 and RMB36,000,000, totalling RMB97,000,000 (approximately HK$121,250,000) that will be due in December 2012, August 2013 and August 2013 respectively. The balance is unsecured and carries interest at fixed rate of 7.2%, 6.9% and 6.9% per annum respectively. In November 2012, the Group entered into three supplementary loan agreements which were approved by the independent shareholders in December 2012 (i) to extend the respective term of the Original Loan Agreements for another 24 months and (ii) the loans under the Original Loan Agreements are secured by the entire equity interest of a subsidiary held by the Group. The loan will be repayable on demand as the Group and Beijing Capital (HK) have mutually agreed to extend the loan until Beijing Capital (HK) demands for repayment.

	2015	2014
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year	**458,723**	1,025,913
More than one year, but not exceeding two years	**69,356**	74,263
More than two years, but not exceeding three years	**97,351**	87,650
More than three years, but not exceeding four years	**98,353**	116,975
More than four years, but not exceeding five years	**111,253**	120,525
More than five years	**103,139**	237,506
	938,175	1,662,832
Less: Amounts due within one year shown under current liabilities	**(458,723)**	(1,025,913)
Amounts shown under non-current liabilities	**479,452**	636,919

The exposure of the Group's fixed-rate and variable-rate borrowings and the contractual maturity dates is as follows: (As at 31 December 2015, the analysis does not include BJ Yiqing Biomax which is reclassified to assets classified as held for sale.)

	2015	2014
	HK$'000	*HK$'000*
Fixed-rate borrowings:		
Within one year	**367,542**	584,500
Variable-rate borrowings:		
Within one year	**91,181**	441,413
More than one year, but not exceeding two years	**69,356**	74,263
More than two years, but not exceeding three years	**97,351**	87,650
More than three years, but not exceeding four years	**98,353**	116,975
More than four years, but not exceeding five years	**111,253**	120,525
More than five years	**103,139**	237,506
	570,633	1,078,332

As at 31 December 2015, the Group's fixed rate bank borrowings of (i) approximately HK$14,320,000 (2014: approximately HK$31,250,000) was secured by the prepaid lease payment with carrying amount of approximately HK$42,029,000 (2014: approximately HK$44,976,000); (ii) approximately HK$347,255,000 (2014: nil) was secured by a corporate guarantee from Beijing Capital Co., Ltd.; and (iii) approximately HK$5,967,000 (2014: nil) was secured by independent third parties.

As at 31 December 2015, the Group's variable rate borrowings of (i) approximately HK$340,095,000 (2014: approximately HK$375,000,000) was secured by a corporate guarantee from Beijing Capital Co., Ltd; (ii) approximately HK$51,540,000 (2014: approximately HK$60,900,000) was secured by a corporate guarantee of a non-controlling shareholder of a subsidiary; (iii) approximately HK$34,607,000 (2014: nil) was secured by prepaid lease payment with carrying amount of approximately HK$26,063,000; and (iv) approximately HK$144,391,000 (2014: approximately HK$177,500,000) was secured by the BOT contract that gives right to the Group to receive waste treatment fee and electricity tariff in Huizhou.

As at 31 December, 2014, the Group's variable rate borrowing of approximately HK$90,431,000 was secured by the BOT contract that gives right to the Group to operate the waste treatment project in Beijing.

As at 31 December 2014, the Group's variable rate bank borrowings of approximately HK$372,000,000 was secured by the pledged deposit of HKHK22,077,000 held by the Company. The amount was repaid during the year and the pledge was released accordingly.

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

	2015	2014
Effective interest rate:		
Fixed-rate borrowings	**3.9%-5.66%**	4.0%-7.22%
Variable-rate borrowings	**PRC Benchmark Loan Rate**	PRC Benchmark Loan Rate

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015	2014
	HK$'000	*HK$'000*
USD	**–**	62,000
HK$	**–**	742,000

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

	2015	2014
	HK$'000	*HK$'000*
Floating rate		
– expiring within one year	**449,881**	34,569
Fixed rate		
– expiring within one year	**17,900**	–
– expiring beyond one year	**1,551,313**	–
	2,019,094	34,569

18. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES

On 6 December 2011, the Company signed an agreement with Beijing Capital (HK) for the subscription of a convertible bond in the principal amount of HK$100,000,000 ("Convertible Bonds I"). The subscription money in the total sum of HK$100,000,000 shall be payable by two instalments of HK$50,000,000 each. The first instalment was paid on 11 September 2012 and the second instalment was paid on 31 December 2012.

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

The conversion price for the Convertible Bonds I was adjusted to HK$0.29 per share upon the completion of rights issue on 8 July 2013.

The Convertible Bonds I contains two components for accounting purposes: a liability component and an embedded derivative component being the conversion options derivatives. The effective interest rate of the liability components is 17.32% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

On 4 November 2014, Beijing Capital (HK) converted Convertible Bonds I with the principal amount of HK$22,000,000 at HK$0.29 per share.

On 19 November 2014, the Company entered into a supplementary deed with Beijing Capital (HK) to amend the terms and conditions of the Convertible Bond I, where (i) the maturity date of the Convertible Bond I will be extended for 12 months and the conversion period will accordingly be extended for 12 months to 31 December 2015; and (ii) the denominations of the Convertible Bond I will be amended such that the denomination of the principal amount, the conversation price of the Convertible Bond I, the integral multiple of the principal amount of conversion of the Convertible Bond I, will be converted from Hong Kong Dollars to RMB, and the principal amount, the conversation price and the integral multiple of the principal amount for conversion of the Convertible Bond I will be converted to the equivalent RMB amount calculated based on the official mid-exchange rate between Hong Kong Dollars and RMB as of the effective date of the amendment terms, as quoted on the China Foreign Exchange Trading System; and (iii) subject to the other terms and conditions of the Convertible Bond I, payment of the sums payable under the Convertible Bonds I shall be made in RMB, unless otherwise agreed by Beijing Capital (HK).

The amendment on the terms and conditions of the Convertible Bonds I was passed on an extraordinary general meeting held on 29 December 2014. The conversion price of the Convertible Bonds I was adjusted to RMB0.229 by converted HK$0.29 by the exchange rate of HK$1 to RMB0.78861. For accounting purposes, the conversion option is classified as equity instrument and the changes in fair value are not recognised in profit or loss.

Under the amendment, the Convertible Bonds I are deemed as to be redeemed and the amended Convertible Bonds I ("Convertible Bonds II") are deemed to be issued. Gain on fair value change of embedded derivatives amount to approximately HK$86,762,000 was recognised upon the amendment on the terms and conditions of the Convertible Bonds I. The effective interest rate of the liability components of Convertible Bond II is 22% per annum.

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

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

The movement of the liability component and embedded derivatives of the Convertible Bonds for the year are set out as below:

	Convertible Bonds I	Convertible Bonds II	Total
	HK$'000	*HK$'000*	*HK$'000*
Liabilities component			
At 1 January 2014	85,170	–	85,170
Conversion	(21,458)	–	(21,458)
Effective interest charged to profit or loss *(Note 6)*	14,288	–	14,288
Amendment *(Note)*	(78,000)	63,674	(14,326)
At 31 December 2014	–	63,674	63,674
Conversion	–	(72,032)	(72,032)
Effective interest charged to profit or loss *(Note 6)*	–	8,358	8,358
At 31 December 2015	–	–	–
Option component			
At 1 January 2014	149,112	–	149,112
Conversion	(24,695)	–	(24,695)
Gain on fair value change of embedded derivatives	(86,762)	–	(86,762)
Amendment *(Note)*	(37,655)	–	(37,655)
At 31 December 2014 and 31 December 2015	–	–	–

Note: Upon the amendment on the terms and conditions, Convertible Bonds I are deemed as to be redeemed and Convertible Bonds II are deemed to be issued. The value of the liability component and conversion option component of Convertible Bonds I is adjusted to reflect the fair value at the date of amendment of the terms and conditions and a fair value gain of approximately HK$86,762,000 has thus been recognised during the year ended 31 December 2014. The liability component of Convertible Bonds II is approximately HK$63,674,000, and its conversion option component of approximately HK$51,981,000 is classified as equity instrument and recognised in the convertible bonds equity reserve.

The fair value of the liability component at the date of issue was calculated using discounted cash flow methodology.

The fair values of the embedded derivatives at 29 December 2014 (date of amendment of the terms and conditions of Convertible Bonds I) was determined by reference to a valuation conducted by a firm of independent valuers using Binomial Option Pricing Model. The inputs and methodology used for the calculation of the fair values of the embedded derivatives were as follows:

Convertible Bonds II	**29 December 2014**
Share price	HK$0.43
Risk-free rate	0.13%
Time to maturity	1 year
Dividend yield	0%
Volatility	48.5%

19. WARRANTS

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

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

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

During the year ended 31 December 2015, the Warrants were expired on 14 April 2015 and no share was subscribed through the exercise of the Warrants. A gain of approximately HK$79,000 arising from the change in fair value was charged to profit or loss for the year ended 31 December 2015 (2014: gain of approximately HK$3,861,000).

20. ACQUISITION OF SUBSIDIARIES

(a) During the year ended 31 December 2015, one acquisition has been made and details are as follows:

A wholly owned subsidiary of the Company acquired 70% equity interest in 浙江卓尚環保能源有限公司 (Zhejiang Zhoushang Environment Energy Company Limited*) ("Zhejiang Zhoushang"), from independent third parties, for cash consideration of RMB17,500,000 (approximately HK$20,883,000 on 1 December 2015). Zhejiang Zhoushang is principally engaged in the treatment of kitchen waste. The acquisition has been accounted for using purchase method. The amount of goodwill as a result of acquisition was approximately HK$7,225,000.

* *for identification purposes only*

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

	Total
	HK$'000
Property, plant and equipment	385
Inventories	49
Trade receivables	434
Prepaid lease payment	26,096
Deposits, prepayment and other receivables	38,050
Bank balances and cash	35
Trade payables	(242)
Other payables and accruals	(4,724)
Borrowings	(40,572)
	19,511

Goodwill arising on acquisition

	HK$'000
Consideration transferred	20,883
Non-controlling interest (30% in Zhejiang Zhoushang)	5,853
Net assets acquired	(19,511)
	7,225

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

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

Non-controlling interest

The non-controlling interests of 30% of Zhejiang Zhoushang recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of Zhejiang Zhoushang identifiable net assets and amounted to approximately HK$5,853,000.

	Total
	HK$'000
Net cash outflow on acquisition:	
Cash consideration paid	(5,967)
Bank balances and cash acquired	35
	(5,932)

During the year ended 31 December 2015, RMB5,000,000 (approximately HK$5,967,000) was paid to the vendors for the acquisition and the balance of RMB12,500,000 (approximately HK$14,916,000) was recognised in the other payables and accruals

If the acquisitions had been completed on 1 January 2015, total group revenue for the year would have been HK$840,920,000, and total group profit for the year ended 31 December 2015 would have been HK$28,903,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(b) During the year ended 31 December 2014, three acquisitions have been made and details are as follows:

A wholly owned subsidiary of the Company acquired 95% equity interest in 安徽首創環境科技有限公司 (Anhui Capital Environmental Technology Company Limited*) (Formerly known as 安徽鑫港環保科技有限公司 Anhui Xin'gang Environmental Technology Company Limited*) ("Anhui Capital"), from independent third parties, for cash consideration of RMB27,740,000 (approximately HK$34,675,000 on 13 May 2014). Anhui Capital is principally engaged in the recycling and dismantling of waste electrical and electronic equipment.

A wholly owned subsidiary of the Company acquired 97.85% equity interest in Huizhou Guanghui from Richways Investment Management Limited and Huizhou Energy(s) Pte. Ltd., independent third parties, for cash consideration of RMB20,000,000 (approximately HK$25,000,000) and the Group has agreed to acquire the liabilities of Huizhou Guanghui amounted to approximately RMB378,000,000 (approximately HK$472,500,000 on 1 July 2014).

A wholly owned subsidiary of the Company acquired 100% equity interest in Huludao Kangte, from independent third parties, for cash consideration of RMB3,650,000 (approximately HK$4,618,000 on 26 September 2014).

The acquisitions have been accounted for using purchase method. No goodwill arose from the acquisitions of Anhui Capital, Huizhou Guanghui and Huludao Kangte.

* *for identification purpose only*

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

	Anhui Capital *HK$'000*	**Huizhou Guanghui** *HK$'000*	**Huludao Kangte** *HK$'000*	**Total** *HK$'000*
Property, plant and equipment	15,125	287	180	15,592
Inventories	–	794	–	794
Trade receivables	–	15,407	–	15,407
Intangible asset	28,500	328,022	–	356,522
Amounts due from grantors for contract work	–	162,065	50,952	213,017
Deposits, prepayment and other receivables	–	1,262	45	1,307
Bank balances and cash	–	718	5	723
Trade payables	–	(89,003)	–	(89,003)
Other payables and accruals	–	(31,120)	(46,564)	(77,684)
Amount due to related parties of vendor	–	(127,659)	–	(127,659)
Amounts due to group companies	–	(50,320)	–	(50,320)
Borrowings	–	(188,750)	–	(188,750)
Deferred tax liabilities	(7,125)	–	–	(7,125)
	36,500	21,703	4,618	62,821

Non-controlling interest

The non-controlling interests of 5% of Anhui Capital and 2.15% of Huizhou Guanghui recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of Anhui Capital and Huizhou Guanghui identifiable net assets and amounted to HK$1,825,000 and HK$467,000.

	Anhui Capital *HK$'000*	**Huizhou Guanghui** *HK$'000*	**Huludao Kangte** *HK$'000*	**Total** *HK$'000*
Net cash outflow on acquisition:				
Cash consideration paid	(34,675)	(25,000)	(4,618)	(64,293)
Bank balances and cash	–	718	5	723
	(34,675)	(24,282)	(4,613)	(63,570)

The Group loss for the period were contributed by (i) Anhui Capital's loss of approximately HK$656,000; (ii) Huizhou Guanghui's profit of approximately HK$ 6,158,000 and (iii) Huludao Kangte's profit of approximately HK$36,000 between the dates of acquisition and 31 December 2014.

If the acquisitions had been completed on 1 January 2014, total group loss for the year ended 31 December 2014 would have been HK$56,085,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the results of the operations of the Group that actually would have been achieved hand the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

In 2015, global economy performed obvious differentiation. The U.S. experienced moderate economic recovery, whilst Europe and Japan did not achieve the desired progress in their structural reforms. Emerging economies faced a slowdown in economic growth. As an important engine of the global economy, PRC has been actively transforming its economic structures while continuing to maintain stable economic growth. With the accelerated and deepened comprehensive reform, the development of green economy and environmental protection industry has become the cornerstone for PRC future economic reforms and long-term development.

The year 2015 is the ending year of the "12th Five-Year Plan". In this year, relevant state departments issued a series of policies and guidelines on environmental management including Opinions on Practicing Third-party Pollution Treatment, Water Pollution Prevention Plan of Action, Environmental Protection Law of the People's Republic of China, Opinions on Accelerating the Construction of Ecological Civilization, Implementing Opinions on Promoting the Mode of Capital Cooperation between Government and Society on Water Pollution Control, General Plan on Institutional Reform of Ecological Civilization, and the Law on the Prevention and Control of Atmospheric Pollution. In particular, it placed an unprecedented emphasis on the environmental protection industry. We believe that the stepping up of policy support and capital investments in environmental governance by the government, coupled with the increasing demand for environmental protection and alternative energy across the country, will provide the Group with enormous market opportunities and development potentials.

During the period under review, projects of the Group continued to progress steadily. Benefiting from favorable national policies and growing market demand, the Group has made remarkable achievements in operating results, market expansion, internal management, fund raising and financing, and the extension of its business chain. Leveraging on its leading technology in environmental protection and alternative energy as well as highly effective management, the Group stood out from the keen competition by continuously tapping into new markets, hence laying a solid foundation for maintaining and reinforcing its leading position in the industry.

As at 26 November 2015, the Company declared the acquisition of 51% shares of BCG NZ Investment Holding Limited ("BCG NZ") with the consideration of US$230,000,000, subject to adjustment based on the evaluation on the value of BCG NZ, its subsidiaries and 50% controlled joint venture entities ("BCG NZ Group") at 31 December 2015 by the independent valuer. BCG NZ Group has more than 100 years of history in continuing operation, and is the largest waste management service supplier in New Zealand with over 30% market share, and has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 200,000 customers. This acquisition will allow the Group to expand its geographical reach to New Zealand, which effectively broadened the revenue foundation of the Group and enhanced the market position, so as to promote the brand into overseas markets. In addition, by adopting a similar service chain and system of BCG NZ Group into the BCG NZ's domestic operations in the PRC and through the transfer of operational know-how and technical expertise, the Acquisition will help the Group to increase its shares in the domestic market and consolidate the leading position of the Group in the environmental industry.

With the increase of business sectors, the Group set up investment centers in Jiangxi and Henan provinces respectively during the year under review to strengthen the efficiency and the synergistic effect of the projects, and to promote intra-regional project investment. New investment modes have been explored, and the new framework was getting further optimized on the basis of strengthening the regional investment model.

In order to satisfy the capital requirements for the development, during the year under review, the Group actively expanded variety of financing channels to enhance its economic strength. In 2015, to get fully prepared for the project development, the Group financed itself in the capital market in the form of rights offering and signed financing agreements with several domestic commercial banks. As of 31 December 2015, the Group held approximately HK$1,200,000,000 in cash. With reasonable debt levels and sound financial status, the business of the Group moves steadily, and competitive strength was enhanced.

In 2015, the Group successfully secured 4 waste-to-energy projects (the change of industrial and commercial registration of 2 of them has not yet completed by the end of 2015) with a total investment of approximately RMB1,600 million. The additional designated annual waste treatment capacity of 1.62 million tons and the total daily treatment capacity are more than 20,000 tons, which further consolidated the Group's leading position in the industry. New projects are including Jiangxi Gaoan Solid Waste incineration Power Generation Project, Guizhou Duyun Solid Waste Incineration Power Generation Project, Hubei Qianjiang Solid Waste Incineration Power Generation Project and Jiangxi Ruijin Solid Waste Incineration Power Generation Project. Meanwhile, the Group also enhanced its co-operation with governments at all levels by entering into strategic co-operation agreements with provincial and municipal governments in Henan, Heilongjiang, Shanxi, Jiangsu, which fostered investments in numerous new projects in new regions.

The Group actively explored business opportunities in all areas of the environmental protection and alternative energy industry to keep up with the rapid development. As of 31 December 2015, the Group secured a total of 23 environmental protection and alternative energy projects (including 11 waste-to-energy projects, 3 waste landfill projects, 3 Anaerobic Digestion Technology treatment projects, 1 waste collection, storage and transportation project, 2 dismantling waste electronic appliances projects and 3 biomass resources electricity generation projects) with a total investment of approximately RMB7,200 million, and the investment amount amounted to RMB2,341 million as at 31 December 2015. The facilities are designed with an aggregate annual household waste processing capacity of approximately 6.62 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units.

On 16 March 2015, the Group proposed to dispose of the 40% equity interest in BJ Yiqing Biomax ("Proposed Disposal"). The Proposed Disposal was made by way of public tender auction listing procedures conducted in strict compliance with relevant PRC laws and regulations in relation to transfer of state-owned assets and has obtained approvals from State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and other competent authorities. The reserve price for the 40% equity interest in BJ Yiqing Biomax was determined with reference to (among others) the valuation report on BJ Yiqing Biomax prepared by an independent and qualified PRC valuer.

The household waste incineration power plant project in Quanling, Nanchang ("Nanchang Project"), which is wholly-owned by the Group, successfully held the igniting ceremony on 16 January 2015 and officially entered into the "72+24" experimental stage, and enter into commercial trial operation stage after obtaining government approval on 4 May 2015, marking the commencement of commercial trial operations of the first household waste incineration power generation project in Jiangxi Province, the PRC on 4 May 2015. Currently, Nanchang Project operates stably, and is on the process of settlement and expects to be transferable into commercial operation by the first half of 2016.

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

Principally equipped with two mechanical reciprocating grate boilers with a daily capacity of 600 tons and two 12MW steam turbine generator sets, Nanchang Project adopts mature and leading domestic and international process technologies to realize hazard-free disposal of one-third of urban solid waste in Nanchang City and to dispose of solid waste of approximately 1,200 tons per day and approximately 400,000 tons per year.

The change of industrial and commercial registration of Huizhou project in Guangdong has been duly completed on 1 July 2014 and the site selection of the new waste treatment plant is in progress. Pursuant to the plan, the new waste treatment plant is expected to treat 1,600 tons of waste daily upon completion.

The kitchen waste treatment project located in Yangzhou, Jiangsu was tendered by the Group on 6 November 2013. The project has completed site construction and already put into trial operation at the end of 2015.

In 2014, the Group acquired the solid waste landfill project in Huludao, Liaoning province, which requires a total investment of RMB93.4 million and has the waste treatment capacity of 420 tons per day and the minimum guaranteed treatment capacity of 380 tons per day. The project is currently under construction and is expected to complete site construction and then commence trial operation by the first half of 2016.

The project of village wastes collection, storage and transportation in Linyi County is the first waste collection and transportation project of the Group. The unit price charged for collection and transportation service is RMB160 per ton, and the minimum guaranteed volume of waste is 260 tons per day. The project requires a total investment of RMB17.0 million and already put into trial operation in January 2015.

Shenzhen Pinghu project, Huaian project in Jiangsu Province, Ma An Shan project in Anhui Province and Duyun and Weng'an projects in Guizhou Province have officially commenced commercial operation.

During the year under review, environmental protection and alternative energy projects processed household waste of 9.6 billion tons and generated total on-grid electricity of 159,211,180KWh, an increase of 78.1% and 46.7% respectively compared with 2014.

Looking ahead, with stronger supporting policies from the PRC government and the continued comprehensive support from the substantial shareholders, the Company is confident that the Company can realize the full potential of all the opportunities for future development. With rising growth momentum and strong competitive edge in the waste treatment industry, the management of the Group believes that once most of the existing projects commence operation, they will provide contribution to the Group. Thus, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

The Group will further consolidate and improve its existing businesses and technologies, constantly seeking projects with growth potential and good opportunities for acquisitions and mergers, thereby making continuous contribution to the construction of beautiful China and global environmental protection. The Group is on target for getting three to four waste-to-energy projects per year in the future years. As at 31 December 2015, the Group is actively proposing and negotiating investments in four to five waste treatment projects by way of tender or acquisition.

The Group will consider several sources of funding to finance the future investments, including equity financing, debt financing, bank loans and/or shareholders' loans.

Riding on its valuable experiences, the Group will make thorough preparation for various projects at initial stage while commencing the construction of various new projects to boost revenue growth. With the completion and operation of projects acquired in previous years and the smooth progress of projects under construction, potential growth of the Group's profit can be expected.

Financial Review

Overview

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached HK$838.1 million, representing a decrease of 13.0% as compared to HK$963.6 million in 2014. Profit for the year was HK$32.0 million and the loss was HK$62.5 million in 2014. Profit attributable to owners of the Company was HK$23.5 million in 2015, whilst the loss attributable to owners was HK$68.3 million in 2014. The basic earnings per share was HK0.30 cents in 2015, whilst the basic loss per share was HK1.21 cents in 2014.

Financial Position

As at 31 December 2015, the Group had total assets amounting to approximately HK$4,191.8 million and net assets amounted to approximately HK$2,826.9 million, while net assets attributable to the owners of the Company were HK$0.27 per share, a sharp increase of 170% compared with the net assets per share of HK$0.10 at the end of 2014. As at 31 December 2015, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 33%, declining 44 percentage points from 77% at the end of 2014.

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

Financial Resources

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders and banks. As at 31 December 2015, the Group had cash and bank balances and pledged bank deposits of approximately HK$1,201.4 million, representing a significant increase of approximately HK$711.1 million as compared to approximately HK$490.3 million as at the end of 2014. Currently, most of the Group's cash is denominated in HK dollars and RMB.

Borrowings

As at 31 December 2015, the Group had outstanding borrowings of approximately HK$938.2 million, representing a decrease of approximately HK724.6 million as compared to approximately HK$1,662.8 million as at the end of 2014. All borrowings are secured loans and dominated in RMB. Most of Group's borrowings are at variable rate.

Foreign exchange exposure

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the board of Directors of the Company ("the Board") does not expect future currency fluctuations to materially impact the Group's operations. During the year, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Charges on Assets

As of 31 December 2015, the Group's guarantee for certain bank financing included certain proceeds from the Group's service concession arrangement and the prepaid lease payment of HK$68.1 million.

Capital Commitment arrangement

As at 31 December 2015, the Group had capital commitment of approximately HK$78.2 million in respect of the construction work under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

Contingent liabilities

As at 31 December 2015, the Group provided guarantees of approximately HK$30.3 million to a bank in respect of banking facilities granted to an associate.

Employment Information

As at 31 December 2015, the Group had about 1,030 employees in total, stationed mainly in the PRC and Hong Kong. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their individual contributions to the Group.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (the year ended 31 December 2014: nil).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") (the "Listing Rules") as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquires of all its directors regarding any noncompliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year under review.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on both the websites of the Company (www.cehl.com.hk) and of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2015 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board
Capital Environment Holdings Limited
Wang Hao
Chairman

Hong Kong, 14 March 2016

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Wang Hao, Mr. Cao Guoxian, Mr. Shen Jianping and Mr. Liu Yongzheng; and three independent non-executive directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.