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

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 03989)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS
*For the year ended 31 December 2018*

| | *Notes* | **2018** *RMB'000* | 2017 *RMB'000* |
|---|---|---|---|
| **REVENUE** | *4* | **4,648,196** | 3,495,166 |
| Cost of sales | | **(3,446,261)** | (2,487,959) |
| Gross profit | | **1,201,935** | 1,007,207 |
| Other income and gains | *4* | **92,604** | 17,991 |
| Administrative expenses | | **(581,739)** | (537,274) |
| Other expenses | | **(12,774)** | (6,405) |
| Finance costs | *6* | **(310,192)** | (195,942) |
| Share of profits of joint ventures | | **39,299** | 56,142 |
| Share of profits of associates | | **13,135** | 6,255 |
| **PROFIT BEFORE TAX** | *5* | **442,268** | 347,974 |
| Income tax expense | *7* | **(131,623)** | (74,255) |
| **PROFIT FOR THE YEAR** | | **310,645** | 273,719 |

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the parent | | **182,733** | 148,342 |
| Non-controlling interests | | **127,912** | 125,377 |
| | | **310,645** | 273,719 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic | *9* | **RMB1.28 cents** | RMB1.04 cents |
| Diluted | *9* | **RMB1.28 cents** | RMB1.04 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2018*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2018*

| | Notes | 31 December 2018 RMB'000 | 31 December 2017 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **2,007,895** | 1,790,082 |
| Prepaid land lease payments | | **78,452** | 49,627 |
| Goodwill | | **2,050,248** | 2,044,408 |
| Other intangible assets | | **2,087,014** | 1,906,175 |
| Investments in joint ventures | | **459,102** | 462,344 |
| Investments in associates | | **104,667** | 91,532 |
| Financial assets at fair value through other comprehensive income | | **78,185** | — |
| Available-for-sale investments | | **—** | 95,041 |
| Deferred tax assets | | **6,063** | 10,568 |
| Concession financial assets | *10* | **1,532,911** | 1,864,989 |
| Contract assets | *11* | **2,025,678** | — |
| Prepayments, other receivables and other assets | | **113,597** | 132,028 |
| Pledged deposits | | **2,000** | — |
| Time deposits | | **—** | 12,500 |
| Total non-current assets | | **10,545,812** | 8,459,294 |
| **CURRENT ASSETS** | | | |
| Inventories | | **49,265** | 39,911 |
| Concession financial assets | *10* | **302,362** | 178,988 |
| Contract assets | *11* | **107,225** | — |
| Assets classified as held for sale | | **22,144** | 9,541 |
| Trade receivables | *12* | **854,136** | 777,632 |
| Prepayments, other receivables and other assets | | **526,731** | 265,238 |
| Prepaid land lease payments | | **1,986** | 948 |
| Amounts due from associates | | **47,876** | 47,741 |
| Tax recoverable | | **18,965** | 6,354 |
| Pledged deposits | | **3,509** | 4,000 |
| Time deposits | | **2,500** | — |
| Cash and cash equivalents | | **2,403,522** | 892,790 |
| Total current assets | | **4,340,221** | 2,223,143 |

| | Notes | 31 December 2018 RMB'000 | 31 December 2017 RMB'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | *13* | **785,888** | 405,155 |
| Other payables and accruals | | **526,692** | 389,493 |
| Deferred income | | **894** | 394 |
| Derivative financial instruments | | **5,266** | 1,727 |
| Interest-bearing bank and other borrowings | *14* | **1,332,754** | 3,145,327 |
| Amount due to a related party | | **1,665** | 1,376 |
| Tax payable | | **70,358** | 47,983 |
| Total current liabilities | | **2,723,517** | 3,991,455 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **1,616,704** | (1,768,312) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **12,162,516** | 6,690,982 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred income | | **88,703** | 34,153 |
| Interest-bearing bank and other borrowings | *14* | **4,501,981** | 1,553,374 |
| Notes payable | *15* | **2,046,726** | — |
| Derivative financial instruments | | **522** | — |
| Deferred tax liabilities | | **502,891** | 434,266 |
| Provisions | | **217,775** | 204,114 |
| Total non-current liabilities | | **7,358,598** | 2,225,907 |
| **Net assets** | | **4,803,918** | 4,465,075 |
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | | **1,188,219** | 1,188,219 |
| Reserves | | **2,174,143** | 2,025,290 |
| | | **3,362,362** | 3,213,509 |
| Non-controlling interests | | **1,441,556** | 1,251,566 |
| **Total equity** | | **4,803,918** | 4,465,075 |

## 1. CORPORATE AND GROUP INFORMATION

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

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

## 2.1 BASIS OF PREPARATION

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

**Change of functional currency**

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

**Classification and measurement**

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

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

| | | **HKAS 39 measurement** | | | | **HKFRS 9 measurement** | |
|---|---|---|---|---|---|---|---|
| | *Notes* | **Category** | **Amount** | **Re-classification** | **Others** | **Amount** | **Category** |
| | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | |
| **Financial assets** | | | | | | | |
| Equity investments at fair value through other comprehensive income | | N/A | — | 95,041 | 4,907 | 99,948 | FVOCI[1] (equity) |
| From: Available-for-sale investments | *(i)* | | — | 95,041 | — | — | |
| Available-for-sale investments | | AFS[2] | 95,041 | (95,041) | — | — | N/A |
| To: Equity investments at fair value through other comprehensive income | *(i)* | | — | (95,041) | — | — | |
| Trade receivables | *(ii)* | L&R[3] | 777,632 | — | — | 777,632 | AC[4] |
| Financial assets included in prepayments, other receivables and other assets | | L&R | 145,360 | — | — | 145,360 | AC |
| Amounts due from associates | | L&R | 47,741 | — | — | 47,741 | AC |
| Concession financial assets | | L&R | 1,100,244 | — | — | 1,100,244 | AC |
| Pledged deposits | | L&R | 4,000 | — | — | 4,000 | AC |
| Time deposits | | L&R | 12,500 | — | — | 12,500 | AC |
| Cash and cash equivalents | | L&R | 892,790 | — | — | 892,790 | AC |
| | | | 3,075,308 | — | 4,907 | 3,080,215 | |
| **Other assets** | | | | | | | |
| Contract assets | *(ii)* | | 943,733 | — | — | 943,733 | |
| **Total** | | | 4,019,041 | — | 4,907 | 4,023,948 | |

| | HKAS 39 measurement | | | | HKFRS 9 measurement | |
|---|---|---|---|---|---|---|
| | Category | Amount | Re-classification | Others | Amount | Category |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | |
| **Financial liabilities** | | | | | | |
| Trade payables | AC | 405,155 | — | — | 405,155 | AC |
| Financial liabilities included in other payables and accruals | AC | 172,266 | — | — | 172,266 | AC |
| Interest-bearing bank and other borrowings | AC | 4,698,701 | — | — | 4,698,701 | AC |
| Due to a related party | AC | 1,376 | — | — | 1,376 | AC |
| Derivative financial instrument | FVPL | 1,727 | — | — | 1,727 | FVPL |
| **Total** | | 5,279,225 | — | — | 5,279,225 | |

[1] FVOCI: Financial assets at fair value through other comprehensive income

[2] AFS: Available-for-sale investments

[3] L&R: Loans and receivables

[4] AC: Financial assets or financial liabilities at amortised cost

[5] FVPL: Financial liabilities at fair value through profit or loss

*Notes:*

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

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

**Impairment**

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

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

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

**Impact on reserves and retained profits**

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

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

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

The Group is involved in the waste treatment and waste-to-energy business in the People's Republic of China ("PRC") and New Zealand.

**Service concession arrangements in the PRC**

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

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

**Rendering of waste treatment services in New Zealand**

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

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

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

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

**As at 1 January 2018**

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

**As at 31 December 2018**

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

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

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

## 3. OPERATING SEGMENT INFORMATION

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

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

**Year ended 31 December 2018**

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

Year ended 31 December 2017

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

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

**Information about a major customer**

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

## 4. REVENUE, OTHER INCOME AND GAINS

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

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers** | | |
| Construction services under service concession arrangements | **1,632,096** | 753,254 |
| Operation services under service concession arrangements | **230,231** | 90,758 |
| Effective interest income on concession financial assets | **128,473** | 85,115 |
| Electronic appliance dismantling | **284,229** | 222,808 |
| Waste collection services | **1,488,503** | 1,513,694 |
| Waste landfill services | **468,827** | 437,116 |
| Recycling | **105,520** | 113,115 |
| Technical services | **236,344** | 245,986 |
| Others | **73,973** | 33,320 |
| | **4,648,196** | 3,495,166 |
| **Other income and gains** | | |
| Bank interest income | **4,662** | 3,399 |
| Other interest income | **37,603** | 9,935 |
| Dividend income from financial assets at fair value through other comprehensive income | **94** | — |
| Dividend income from available-for-sale investments | **—** | 1,111 |
| Gain on de-registration of a subsidiary | **2,411** | — |
| Gain on disposal of investment in an associate | **10,103** | — |
| Gain on disposal of items of property, plant and equipment | **6,405** | 908 |
| Government grants | **21,227** | 1,876 |
| Refund of written-off trade receivables | **4,428** | — |
| Reversal of impairment of trade receivables | **1,091** | — |
| Reversal of impairment of prepayments, other receivables and other assets | **1,251** | — |
| Foreign exchange gains | **156** | — |
| Others | **3,173** | 762 |
| | **92,604** | 17,991 |

## 5. PROFIT BEFORE TAX

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

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

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

## 6. FINANCE COSTS

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

## 7. INCOME TAX

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

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

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

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

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

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

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

## 8. DIVIDENDS

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

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

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

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

The calculation of basic earnings per share is based on:

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

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

## 10. CONCESSION FINANCIAL ASSETS

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

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

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

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

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

The Group recognised revenue from construction services of RMB1,632,096,000 (2017: RMB753,254,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB230,231,000 (2017: RMB90,758,000) for all the service concession arrangements of the Group (note 4). The gross profits recognised from construction services amounted to RMB175,225,000 (2017: RMB79,876,000) and the gross profits recognised from operation services amounted to RMB89,664,000 (2017: RMB45,633,000) for all the service concession arrangements of the Group.

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

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

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

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

## 11. CONTRACT ASSETS

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

| | *RMB'000* |
|---|---|
| At 31 December 2017 | — |
| Adjustment on adoption of HKFRS 15 *(note 2)* | 1,305,579 |
| At 1 January 2018 | 1,305,579 |
| Arising from construction service | 1,632,096 |
| Arising from interest income recognition | 34,648 |
| Acquisition of subsidiaries *(note 16)* | 121,334 |
| Transfer to concession financial assets or other intangible assets | (960,754) |
| At 31 December 2018 | 2,132,903 |

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

## 12. TRADE RECEIVABLES

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

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

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

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

## 13. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 90 days | **538,048** | 311,541 |
| 91 to 180 days | **146,628** | 43,810 |
| Over 180 days | **101,212** | 49,804 |
| | **785,888** | 405,155 |

Included in the trade payables are amounts of RMB1,842,000 (2017: RMB126,000) and RMB2,242,000 (2017: RMB1,975,000) due to joint ventures and the other operator of Waste Disposal Services, respectively, with similar credit terms offered by them to their major customers.

The trade payables are non-interest-bearing and are normally settled within 1 to 3 months.

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | | **2018** | | | 2017 | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | ***RMB'000*** | Effective interest rate (%) | Maturity | *RMB'000* |
| **Current** | | | | | | |
| Bank overdrafts — unsecured | **6.00–8.00** | **On demand** | **40,822** | — | — | — |
| Bank loans — secured | **4.36–4.79** | **2019** | **50,000** | 4.79–5.66 | 2018 | 200,000 |
| Bank loans — unsecured | **5.22** | **2019** | **205,499** | 3.44–5.00 | 2018 | 202,344 |
| Current portion of long term | | | | | | |
| bank loans — secured | **4.66–5.23** | **2019** | **332,898** | 4.66–5.23 | 2018 | 87,580 |
| bank loans — unsecured | **2.36–3.19** | **2019** | **619,591** | 4.66 | 2018 | 24,000 |
| other loan — secured | **4.75** | **2019** | **83,944** | — | — | — |
| other loan — unsecured | **—** | **—** | **—** | 5.00 | 2018 | 2,631,403 |
| | | | **1,332,754** | | | 3,145,327 |
| **Non-current** | | | | | | |
| Other secured bank loans | **4.66–5.15** | **2021–2033** | **640,790** | 4.66–5.23 | 2019–2032 | 580,280 |
| Other unsecured bank loans | **3.19** | **2036** | **106,266** | 2.09–4.66 | 2019–2036 | 684,359 |
| Other loan — secured | **4.75–6.15** | **2020–2023** | **1,072,719** | 4.75 | 2020 | 236,735 |
| Other loans — unsecured | **1.20–5.50** | **2031** | **2,682,206** | 1.20 | 2031 | 52,000 |
| | | | **4,501,981** | | | 1,553,374 |
| | | | **5,834,735** | | | 4,698,701 |

| | 2018 | 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Analysed into: | | |
| Bank loans and overdrafts repayable: | | |
| Within one year or on demand | **1,248,810** | 513,924 |
| In the second year | **137,437** | 919,710 |
| In the third to fifth years, inclusive | **391,352** | 223,378 |
| Beyond five years | **218,267** | 121,551 |
| | **1,995,866** | 1,778,563 |
| Other borrowings repayable: | | |
| Within one year | **83,944** | 2,631,403 |
| In the second year | **72,719** | — |
| In the third to fifth years, inclusive | **3,630,206** | 236,735 |
| Beyond five years | **52,000** | 52,000 |
| | **3,838,869** | 2,920,138 |
| | **5,834,735** | 4,698,701 |

Notes:

(1) Bank loans of RMB683,300,000 as at 31 December 2018 (2017: RMB708,200,000) were guaranteed by corporate guarantees of the Group.

(2) Bank loans of RMB96,388,000 as at 31 December 2018 (2017: RMB79,000,000) were secured by the service concession arrangement in Huizhou Guanghui Energy Co., Ltd (惠州廣惠能源有限公司).

(3) A bank loan of RMB75,000,000 as at 31 December 2018 (2017: RMB80,000,000) was secured by the service concession arrangement in Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司).

(4) A bank loan of RMB22,080,000 as at 31 December 2018 (2017: RMB29,660,000) was guaranteed by a corporate guarantee of a subsidiary of Beijing Capital Group Co., Ltd. ("Beijing Capital Group").

(5) A bank loan of RMB35,000,000 as at 31 December 2018 (2017: RMB50,000,000) was secured by the prepaid lease payments and buildings with a carrying amount of RMB66,866,000 (2017: RMB82,470,000).

(6) A bank loan of RMB96,920,000 as at 31 December 2018 (2017: nil) was guaranteed by a corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd (北京建工集團有限責任公司).

(7) A bank loan of RMB15,000,000 as at 31 December 2018 (2017: nil) was guaranteed by a corporate guarantee of the Group, and was secured by the prepaid lease payments and buildings with a carrying amount of RMB23,184,000.

(8) Other loan of RMB1,000,000,000 from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) as at 31 December 2018 (2017: nil) was guaranteed by a corporate guarantee of Beijing Capital Group.

(9) Other loan of RMB156,663,000 from Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司) as at 31 December 2018 (2017: RMB236,735,000) was secured by the service concession arrangement in Nanchang Capital Environment Energy Co., Ltd (南昌首創環保能源有限公司).

Included in bank borrowings is a loan of Hong Kong dollars ("HK$") 700,000,000 from Bank of China (Hong Kong) Limited which bears interest at 1.35% per annum over the Hong Kong Interbank Offer Rate, with keepwell provided by Beijing Capital Group.

Included in other borrowings is a loan of NZ$570,000,000 (equivalent to approximately RMB2,630,206,000) from BCG Chinastar International Investment Limited which is unsecured, interest-bearing at 5.5% per annum and has a maturity date on 31 May 2021.

As at 31 December 2018, the Group had undrawn borrowing facilities amounting to RMB1,020,875,000 (2017: RMB1,728,807,000).

As at 31 December 2018, the Group's bank and other loans of RMB3,928,527,000 were charged at fixed interest rates while those of RMB1,906,208,000 were charged at floating interest rates based on the benchmark interest rates announced by the People's Bank of China. The carrying amounts of the Group's current borrowings approximate to their fair values.

**15. NOTES PAYABLE**

On 11 September 2018 and 18 October 2018, the Group issued notes in an aggregate principal amount of US$250 million (equivalent to RMB1,715,800,000) and US$50 million (equivalent to RMB343,160,000) with total discount of US$896,000 (equivalent to RMB6,147,000), respectively. These two tranches of notes form a single series which is listed on the Stock Exchange of Hong Kong Limited. The net proceeds after deducting the transaction costs of RMB7,371,000 were RMB2,045,442,000. These notes bear interest from 11 September 2018 at 5.625% per annum payable semi-annually in arrears on 11 March and 11 September of each year, beginning 11 March 2019. Unless early redeemed, or purchased or cancelled, these notes will be redeemed at their principal amount on 10 September 2021.

After initial recognition, these notes are subsequently measured at amortised cost, using the effective interest rate method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate. The interest expense calculated based on the effective interest rate was RMB34,765,000 which was included in finance costs in the consolidated statement of profit or loss.

The movements of notes payable during the year are as follows:

| | 2018 |
|---|---|
| | *RMB'000* |
| Notes payable | **2,045,442** |
| Interest expenses on the notes | **34,765** |
| Exchange realignment | **51** |
| | **2,080,258** |
| Less: Interest to be paid within one year | **(33,532)** |
| Liabilities at 31 December 2018 | **2,046,726** |

## 16. BUSINESS COMBINATIONS

On 11 February 2018, Beijing Capital Environment Investment Limited (北京首創環境投資有限公司, "Capital Investment"), an indirectly wholly-owned subsidiary of the Company, acquired a 100% interest in Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎岩生活垃圾處理有限公司, "Yingde Laohuyan") from a third party. Yingde Laohuyan is engaged in municipal solid waste treatment. The consideration for the acquisition is RMB32,685,000.

On 13 February 2018, Capital Investment acquired a 100% interest in Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司, "Shangrao Fengshun") from a third party. Shangrao Fengshun is engaged in waste treatment services. The consideration for the acquisition is RMB41,941,000.

On 22 May 2018, Capital Investment acquired a 55% interest in Mianyang Lubo Lubricant Co., Ltd. (綿陽路博潤滑油脂有限公司, "Mianyang Lubo") from a third party. Mianyang Lubo is engaged in hazardous waste treatment services. The consideration for the acquisition is RMB32,390,000, which was paid during the year ended 31 December 2018.

On 12 June 2018, Capital Investment acquired an 80% interest in Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司, "Yongji Huaxinda") from a third party. Yongji Huaxinda is engaged in waste treatment and waste-to-energy generation services. The consideration for the acquisition is RMB60,409,000, with RMB9,500,000 paid on 25 August 2017 and RMB44,869,000 paid during the year ended 31 December 2018.

The Group has elected to measure the non-controlling interest in Mianyang Lubo and Yongji Huaxinda at the non-controlling interest's proportionate share of their identifiable net assets.

Assets acquired and liabilities registered at the dates of acquisitions were as follows:

| | **Yingde Laohuyan** | **Shangrao Fengshun** | **Mianyang Lubo** | **Yongji Huaxinda** | **Total** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Property, plant and equipment | 82 | — | 10,411 | 151 | 10,644 |
| Prepaid lease payment | — | — | 4,058 | — | 4,058 |
| Concession financial assets | 80,156 | 38,974 | — | — | 119,130 |
| Other intangible assets | — | 19,555 | — | — | 19,555 |
| Contract assets | — | — | — | 121,334 | 121,334 |
| Prepayments, other receivables and other assets | 3,739 | 11,579 | 19,117 | 951 | 35,386 |
| Inventories | — | — | 174 | — | 174 |
| Trade receivables | 4,295 | 6,219 | — | — | 10,514 |
| Cash and cash equivalents | 735 | 698 | 13,138 | 161 | 14,732 |
| Trade payables | (1,103) | (3,209) | — | (174) | (4,486) |
| Other payables and accruals | (290) | (1,805) | (317) | (32,085) | (34,497) |
| Tax payables | — | (307) | — | — | (307) |
| Interest-bearing bank and other borrowings | (50,088) | (29,763) | — | — | (79,851) |
| Deferred tax liabilities | (4,841) | — | — | (14,826) | (19,667) |
| Total identifiable net assets at fair value | 32,685 | 41,941 | 46,581 | 75,512 | 196,719 |
| Non-controlling interests | — | — | (20,957) | (15,103) | (36,060) |
| Goodwill on acquisitions | — | — | 6,766 | — | 6,766 |
| Satisfied by: | | | | | |
| Cash | 31,185 | 31,259 | 32,390 | 44,869 | 139,703 |
| Cash consideration paid in the prior year | — | — | — | 9,500 | 9,500 |
| Cash consideration recorded in other payables | 1,500 | 10,682 | — | 6,040 | 18,222 |
| | 32,685 | 41,941 | 32,390 | 60,409 | 167,425 |

The fair values of the trade receivables and other receivables as at the dates of acquisitions amounted to RMB10,514,000 and RMB35,386,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB10,514,000 and RMB37,586,000, respectively, of which other receivables of RMB2,200,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB280,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

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

| | **Yingde Laohuyan** *RMB'000* | **Shangrao Fengshun** *RMB'000* | **Mianyang Lubo** *RMB'000* | **Yongji Huaxinda** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| Cash consideration | (31,185) | (31,259) | (32,390) | (44,869) | (139,703) |
| Cash and cash equivalents | 735 | 698 | 13,138 | 161 | 14,732 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (30,450) | (30,561) | (19,252) | (44,708) | (124,971) |
| Transaction costs of the acquisition included in cash flows from operating activities | (60) | (50) | (90) | (80) | (280) |
| | (30,510) | (30,611) | (19,342) | (44,788) | (125,251) |

Since the acquisition, these companies contributed RMB66,468,000 to the Group's revenue and RMB184,000 to the consolidated loss for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB4,653,449,000 and RMB310,072,000, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *BUSINESS REVIEW AND PROSPECTS*

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

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

During the year under review, the Company adopted a proactive approach in undertaking its business, taking on the profound intrinsic value of the Beijing Capital Group to assume the role as a "key contributor to and defender of a beautiful China" with real actions. The Company was granted the title of "Top Ten Most Influential Enterprises in the Solid Waste Treatment Industry in China" for the seventh time, and won a basket of awards including "Outstanding Environment-friendly Branded Enterprises", "Excellence Award for Investor Management", "Most Socially Responsible Listed Group Award" and the "Carbon Care ESG Label". Also, our power generation by incineration project in Nanchang has won "the First Class National Quality Works Projects Award of 2018–2019", "China's Quality Electrical Works and Operation of Power Station Award". This is the highest accolade for high-quality works in the electrical construction industry. Our food waste project in

Ningbo has won the "3-Star Design of Eco-friendly Building Identification Logo". Many of our projects, including the power generation by incineration project in Gao'an and Ruijin as well as the hazardous waste project in Yangzhou, have received honours or incentive funding such as the title of standardized provincial construction site, supportive funds out of the budget of the central government and financial subsidies granted by local governments. The accolades mentioned above bear testimony to the widespread public recognition gained by the Group.

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

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

In terms of market expansion, the Group successfully secured 11 waste treatment projects in the mainland with a total investment of approximately RMB2,120 million and the new design can handle 2.24 million tons of domestic waste annually. New projects include: the Non-Hazardous Domestic Waste Landfill Project in Laohu Yan, Yingde City, Guangdong Province, the Domestic Waste Sanitary Landfill Project in Shangrao City, Jiangxi Province, the Urban and Rural Domestic Waste Treatment Facility Integration Project in Guangchang County, Fuzhou City, Jiangxi Province, the Power Generation by Waste Incineration Project in Yongji City, Shanxi Province, the PPP Project for Irregular Dumping Site Treatment in Huainan, Anhui Province, the Power Generation by Waste Incineration Project in the three counties of Xichuan, Xixia and Neixiang, Nanyang City, Henan Province, the Mineral Oil Waste Consolidated Utilization Project in Mianyang City, Sichuan Province, the Power Generation by Domestic Waste Incineration and Collection and Transportation Integration Project in Yutian County, Tangshan City, Hebei Province, the Kitchen Waste Treatment Plant Project in Hongmiaoling, Fuzhou City and the Rural

Waste Collection and Transportation Project in Gaoan City. The Group has established a core business of the three-phase integrated (i.e. the initial-phase, middle-phase and end-phase) treatment of domestic waste (including the four stages of cleaning, transporting, landfilling and incineration for power generation), and simultaneously developed the anaerobic treatment business and hazardous waste treatment business as our branch business. With the electronic waste dismantling business, irregular landfill site treatment business and construction waste recycling business in synchronous development as our supplementary businesses, the Group created a whole industry chain and continue to consolidate and enhance its leading position in the industry.

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

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

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

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

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

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

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

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

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

## FINANCIAL REVIEW

### Overview

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

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

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

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

**Financial Position**

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

**Financial Resources**

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

**Borrowings**

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

**Foreign Exchange Exposure**

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

**Commitment arrangements**

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

**Contingent Liabilities**

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

**Employee Information**

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

**DIVIDEND**

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

## 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 2018, including the accounting principles and practices adopted by the Group.

## SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures set out in the preliminary announcement of the Group's results for the year ended 31 December 2018 in respect of the Group's consolidated statement of profit or loss and consolidated statement of financial position have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## 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 2018 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board of
**Capital Environment Holdings Limited**
**Zhang Meng**
*Chairlady*

Hong Kong, 21 March 2019

*As at the date of this announcement, the Board comprises four executive directors, namely Ms. Zhang Meng, Mr. Cao Guoxian, Mr. Cheng Jialin and Ms. Hao Chunmei; and three independent non-executive directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.*