THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Capital Environment Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

CAPITAL ENVIRONMENT HOLDINGS LIMITED

首 創 環 境 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF BCG NZ INVESTMENT HOLDING LIMITED; (2) SPECIFIC MANDATE TO ISSUE CONSIDERATION SHARES; AND (3) NOTICE OF EGM

Financial Adviser to the Company

NOMURA

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

中 國 銀 河 國 際
CHINA GALAXY INTERNATIONAL

A letter from the Board is set out on pages 6 to 37 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 38 to 39 of this circular. A letter from the Independent Financial Adviser, containing its advice and opinion to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 70 of this circular.

A notice convening the EGM to be held at Unit 1613–1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, on Friday, 24 June 2016, at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

8 June 2016

Page

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of 51% of the issued share capital of the Target Company pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 26 November 2015 entered into between the Company and the Vendors in respect of the Acquisition
"Announcement"	the announcement of the Company dated 26 November 2015 in relation to the Acquisition
"BC Water"	BC Water Investments Co., Ltd (東方水務投資有限公司), an indirect wholly-owned subsidiary of Beijing Capital, which holds 23,210,000 Shares as at the Latest Practicable Date
"BCG"	BCG Chinastar International Investment Limited (首創華星國際投資有限公司), a company incorporated with limited liability under the laws of Hong Kong, a wholly-owned subsidiary of Beijing Capital Group and a connected person of the Company under Rule 14A.07 of the Listing Rules
"BCG Loan"	the loan of NZ$570 million with a term of 3 years and an annual interest rate of 5.0% provided by BCG to the Target Company on 19 June 2014, the terms of which were amended on 11 June 2015
"BCWMNZ"	Beijing Capital Waste Management NZ Limited, a limited company incorporated under the laws of New Zealand and a direct wholly-owned subsidiary of Beijing NZ
"BCWMNZ Group"	BCWMNZ, its subsidiaries and 50% controlled joint ventures
"Beijing Capital"	Beijing Capital Co., Ltd. (北京首創股份有限公司), a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008)
"Beijing Capital Group"	Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司), a state-owned enterprise owned by the People's Government of Beijing Municipality and under the supervision of the State-Owned Assets Supervision and Administration Commission of the Beijing Municipality and a controlling shareholder of Beijing Capital and the sole shareholder of BCG

"Beijing Capital (HK)"	Beijing Capital (Hong Kong) Limited (首創(香港)有限公司), a company incorporated with limited liability under the laws of Hong Kong and a controlling shareholder of the Company, holding approximately 51.28% of the Shares as at the Latest Practicable Date, and a wholly-owned subsidiary of Beijing Capital, which is held as to 54.62% by Beijing Capital Group as at the Latest Practicable Date
"Beijing NZ"	Beijing Capital Group NZ Investment Holding Limited, a limited company incorporated under the laws of New Zealand and a direct wholly-owned subsidiary of the Target Company
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday) on which banks generally are open for business in Hong Kong
"Business Valuation Report"	the business valuation report in respect of the fair value of the Target Group as at 31 December 2015 issued by APAC Asset Valuation and Consulting Limited on 8 June 2016
"Company"	Capital Environment Holdings Limited (首創環境控股有限公司) (Stock Code: 3989), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	the completion of the Acquisition
"Completion Date"	the date of the Completion
"Consideration"	the consideration for the Acquisition under the Acquisition Agreement
"Consideration Shares"	4,541,574,877 new Shares to be issued for the purpose of satisfying part of the Consideration pursuant to the Acquisition Agreement
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company expected to be convened on or about 24 June 2016 at which, among others, the Acquisition together with the terms of the Acquisition Agreement will be considered, and if thought fit, approved by the Independent Shareholders
"Enlarged Group"	the Group as enlarged by, or taking into account the impact of, the interest in the Target Group subsequent to the Acquisition

"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee established by the Company consisting of all the independent non-executive Directors to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and on normal commercial terms and whether the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in the EGM, taking into account the recommendations of the Independent Financial Adviser
"Independent Financial Adviser" or "China Galaxy"	China Galaxy International Securities (Hong Kong) Co., Limited, the independent financial adviser appointed by the Board with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement
"Independent Shareholder(s)"	Shareholders other than Beijing Capital (HK) and its associates, including BC Water, and any person who is involved in, or interested in, the Acquisition Agreement, who are otherwise entitled to attend and vote at the relevant shareholders' meeting of the Company under the applicable laws and regulations and the articles of association of the Company
"Independent Third Party(ies)"	to the best of the Directors' knowledge, information and belief having made all reasonable enquiry third parties independent of the Company and its connected person within the meanings of the Listing Rules
"Independent Valuer" or "APAC"	APAC Asset Valuation and Consulting Limited, an independent valuer engaged by the Company for the purpose of conducting valuation of the Target Group for the year ended 31 December 2015
"Latest Practicable Date"	31 May 2016, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Non-Trading Subsidiaries"	subsidiaries held directly or indirectly by Waste Management NZ as to 100% that are not carrying out any activities as at the date of this circular, being Healthcare Waste Limited, Living Earth Limited, Waste Care Limited, Waste Management Limited, The Wheelibin Company Limited, Get-A-Bin Limited, Eastern Bins Limited, Waste Management Collections Limited, BCG Waste Management Limited, Waste Disposal Services Limited, General Rubbish Collection Limited, Flexi-Bin Limited, Sunshine Garden Bag & Bin Company Limited, Budget Bins Ltd, Waste Management All Brite Limited, Gordies Bags Limited, Gordies Bins Limited, Canterbury Waste Services Limited, Otago Waste Services Limited, Canterbury Material Recovery Facilities Limited, Waste Management Recycling Limited, Gordies Skip Bins Limited, Waste Management Technical Services Limited, Recycle New Zealand Limited, ERS New Zealand Limited, Waste Management Solutions (NZ) Limited and Waste Services Marlborough Limited
"NZ$"	New Zealand dollars, the lawful currency of New Zealand
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Relevant Trading Day"	6 November 2015, being the last full trading day in respect of the Shares on the Stock Exchange before the suspension of trading of the Shares from 9 November 2015 to 26 November 2015
"Renminbi or RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	198,898,745 ordinary shares of the Target Company representing 51% of the issued share capital of the Target Company owned by the Vendors
"SFO"	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
"Shareholders"	holders of the Shares
"Shares"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Consideration Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	BCG NZ Investment Holding Limited, a company incorporated with limited liability under the laws of Hong Kong, the shares of which are owned as to 35% by BCG and as to 65% by Beijing Capital (HK)
"Target Group"	the Target Company, its subsidiaries and 50% controlled joint venture entities
"US$"	United States of America dollars, a lawful currency of the United States of America
"Vendors"	BCG and Beijing Capital (HK)
"Waste Management NZ"	Waste Management NZ Limited, a limited company incorporated under the laws of New Zealand on 5 April 2006 and a direct wholly-owned subsidiary of BCWMNZ
"%"	per cent

In this circular, unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "subsidiary(ies)", "substantial shareholder(s)" and "controlling shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this circular, unless the context otherwise requires, the exchange rates of US$1.00 to HK$7.7504, NZ$1.00 to HK$5.2927 and RMB1.00 to HK$1.1936 between US$, NZ$ and RMB to HK$ are for illustrative purpose only and do not constitute a representation that any amounts in United States of America dollars, New Zealand dollars, Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

Executive Directors:
Mr. Wang Hao *(Chairman)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Shen Jianping
Mr. Liu Yongzheng

Independent Non-Executive Directors:
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

Registered Office:
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Head Office and Principal Place of Business:
Unit 1613–1618, 16/F.,
Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong

8 June 2016

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF BCG NZ INVESTMENT HOLDING LIMITED;
(2) SPECIFIC MANDATE TO ISSUE CONSIDERATION SHARES;
AND
(3) NOTICE OF EGM**

A. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition. On 26 November 2015, the Company entered into the Acquisition Agreement with the Vendors to acquire the Sale Shares, being 51% of the issued capital of the Target Company. According to the Acquisition Agreement, the consideration for the Acquisition is US$230 million, subject to adjustment (if any) based on the valuation on the Target Group as at 31 December 2015 to be conducted by the Independent Valuer engaged by the

Company, and shall be satisfied by the allotment and issue of the Consideration Shares (subject to adjustment based on the adjustment to the Consideration) at an issue price of HK$0.40 per Consideration Share by the Company to the Vendors, credited as fully paid.

The Company appointed APAC Asset Valuation and Consulting Limited as the Independent Valuer after the date of the Announcement, which valued 100% of the Target Group at US$470.9 million (equivalent to approximately RMB3,058.0 million or HK$3,649.9 million) as at 31 December 2015 based on the market approach. The Consideration for 51% of the shares in the Target Company (i.e. the Sale Shares) after adjustment is US$234.4 million (equivalent to approximately RMB1,522.0 million or HK$1,816.6 million) and shall be satisfied by the allotment and issue of 4,541,574,877 Consideration Shares at an issue price of HK$0.40 per Consideration Share by the Company to the Vendors, credited as fully paid. The Consideration Shares represent approximately 31.8% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

With respect to the Acquisition, as certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, one of the Vendors, Beijing Capital (HK), is the controlling shareholder of the Company and the other Vendor, BCG, is a wholly-owned subsidiary of Beijing Capital Group, which directly and indirectly holds a 54.62% equity interest in Beijing Capital, the sole shareholder of Beijing Capital (HK). Accordingly, the Vendors are connected persons of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Beijing Capital (HK) and its associates, including BC Water, are required to abstain from voting on the resolution(s) approving the Acquisition at the EGM.

On 19 June 2014 and according to revisions made to the terms of the loan on 11 June 2015, BCG provided the Target Company with the BCG Loan of NZ$570 million (equivalent to approximately RMB2,528 million or HK$3,017 million) for a term of 3 years with an annual interest rate of 5.0%, which was consistent with general market rates and on normal commercial terms and not secured by any assets of the Target Group and was determined based on the then prevailing costs of lending and the Target Company's demand for capital. As at the Latest Practicable Date, the whole amount of the BCG Loan is outstanding. As BCG is a connected person of the Group, the transaction will constitute a continuing connected transaction under Rule 14A.31 of the Listing Rules upon Completion and will be fully exempt from announcement and shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The purposes of this circular are to provide you with: (i) further information on the Acquisition and the Target Company; (ii) an advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote, taking into account the recommendations from the Independent Financial Adviser; (iii) an advice from the Independent Financial Adviser; (iv) financial information of the Group; (v) financial information and accountants' reports of the Target Group and BCWMNZ Group; (vi) unaudited pro forma financial information of the Enlarged Group; (vii) valuation report of the Target Group as at 31 December 2015 and (viii) a notice of the EGM.

B. THE ACQUISITION AGREEMENT

Date : 26 November 2015

Purchaser : The Company

Vendors : (1) Beijing Capital (HK)

(2) BCG

Both Vendors are connected persons of the Company. Beijing Capital (HK) is a company incorporated with limited liability under the laws of Hong Kong and a controlling shareholder of the Company. BCG is a company incorporated with limited liability under the laws of Hong Kong and a wholly-owned subsidiary, and therefore an associate of, of Beijing Capital Group, which directly and indirectly holds a 54.62% equity interest in Beijing Capital, the sole shareholder of Beijing Capital (HK).

Consideration for the interests to be acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 51% of the issued share capital of the Target Company as set out below:

Vendor	Percentage of the issued share capital of the Target Company held as at the Latest Practicable Date	Percentage of the issued share capital of the Target Company to be sold to the Company	Consideration (approx. US$ million, after adjustment)	No. of Consideration Shares to be issued to the Vendor (after adjustment)
Beijing Capital (HK)	65%	16%	73.5	1,424,807,805
BCG	35%	35%	160.9	3,116,767,072
Total	100%	51%	234.4	4,541,574,877

According to the Acquisition Agreement, the consideration for the Acquisition is US$230 million, subject to adjustment (if any) based on the valuation on the Target Group as at 31 December 2015 to be conducted by the Independent Valuer engaged by the Company, and shall be satisfied by the allotment and issue of the Consideration Shares (subject to adjustment based on the adjustment to the Consideration) at an issue price of HK$0.40 per Consideration Share by the Company to the Vendors, credited as fully paid.

The Company appointed APAC Asset Valuation and Consulting Limited as the Independent Valuer after the date of the Announcement, which valued the Target Group at US$470.9 million (equivalent to approximately RMB3,058.0 million or HK$3,649.9 million) as at 31 December 2015 based on the market approach. The Consideration after adjustment is US$234.4 million (equivalent to approximately RMB1,522.0 million or HK$1,816.6 million) and shall be satisfied by the allotment and issue of 4,541,574,877 Consideration Shares at an issue price of HK$0.40 per Consideration Share by the Company to the Vendors, credited as fully paid. The Consideration (after adjustment) represents: (i) a discount of 2.49% to the *pro rata* valuation of the Target Group (i.e. approximately US$240.4 million based on the exchange rate of NZ$1 to US$0.6829 as at 31 December 2015) valuated by the Independent Valuer and (ii) a premium of 37.60% to the *pro rata* amount of the equity injection into the Target Company by BCG on 30 June 2014 (i.e. approximately US$170.3 million based on the exchange rate of NZ$1 to US$0.8563 as at the date of the equity injection by BCG into the Target Company, i.e. 30 June 2014). The premium compared to the *pro rata* amount of the equity injection into the Target Company by BCG is due to a significant increase in the net income of the Target Group. The Directors carefully considered the financial performance of the Target Group when the deal was being negotiated. In particular, the net profit of BCWMNZ Group increased from NZ$36.4 million in the year ended 30 June 2014 to NZ$59.0 million in the year ended 31 December 2015, representing an increase of 62.2%. Considering the actual and potential growth of profits of the Target Company and after arms-length negotiation with the Vendors, the Directors are of the view that the premium constitutes a fair representation of the Target Group's growth potential. BCG undertook an equity injection of approximately US$334 million into the Target Company on 30 June 2014 in order to fund the acquisition of BCWMNZ by the Target Company, which was incorporated by BCG on 28 March 2014 with an insignificant amount of initial share capital.

Basis of the Consideration

The Consideration of US$230 million (before adjustment) for 51% of the shares in the Target Company (i.e. the Sale Shares) was equivalent to the *pro rata* amount of the historical purchase price of US$293 million for the acquisition of 65% of the share capital of the Target Company by Beijing Capital (HK) from BCG pursuant to a share transfer agreement dated 4 June 2015 and was determined based on arm's length negotiations after taking into account (i) the Group's imminent need to acquire the

Target Group, (ii) the potential growth of the business of the Target Group and (iii) the expected positive and fundamental change to the Group given the asset size, levels of revenue, profit and cash flow, and the local market share of the Target Group.

The Consideration has been adjusted by an increase of US$4,391,767 (equivalent to approximately RMB28.5 million or HK$34.0 million) based on the valuation of the Target Group as at 31 December 2015 by APAC Asset Valuation and Consulting Limited, the Independent Valuer. The adjustment was determined based on arm's length negotiation between the parties to the Acquisition Agreement after taking into account the valuation of the Target Group.

Assumptions used in the Business Valuation Report

The principal assumptions used in the Business Valuation Report are as follows:

— the financial and operational information provided to the Independent Valuer by the Target Group and the Company is accurate;

— there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value;

— there will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;

— there will be no major changes in the current taxation law in the areas in which the Target Group carries out its business;

— the rate of tax payable by the Target Group remains unchanged;

— all applicable laws and regulations relating to the taxation law will be complied with;

— the inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;

— the Target Group will retain their key management and technical personnel to maintain their ongoing operations;

— there will be no major business disruptions caused by international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;

— the Target Group will remain free from claims and litigation against the business or its customers that will have a material impact on value;

— the Target Group are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements;

— the businesses are not subject to any unusual or onerous restrictions or encumbrances; and

— the potential bad debt of the Target Group will not materially affect their business operations.

Consideration Shares

The 4,541,574,877 Consideration Shares, after the adjustment, represent approximately 46.6% of the issued share capital of the Company as at the Latest Practicable Date and approximately 31.8% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

The Consideration Shares when allotted and issued, will rank *pari passu* in all respects among themselves and with all existing Shares then in issue on the date of such allotment and issue, including the right to receive all future dividends and distributions declared, made or paid by the Company on or after the date of the issue of the Consideration Shares.

The Consideration Shares will be issued pursuant to the Specific Mandate to be obtained from the Independent Shareholders at the EGM.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Issue Price

The Consideration Shares will be issued at the issue price of HK$0.40 per Share, which was determined after arm's length negotiation between the Company and the Vendors with reference to (i) the trading price of the Shares in the last 10 days up to and including the Relevant Trading Day, after which the Company promptly applied for a trading halt after the market closed and (ii) the prevailing market practice based on examples of issue of consideration shares in similar transactions and issue of new shares for cash by companies listed on the Stock Exchange. The issue price of the Consideration Shares represents:

(a) a discount of approximately 9.09% to the closing price of the Shares of HK$0.440 as quoted on the Stock Exchange on the Relevant Trading Day;

(b) a discount of approximately 2.91% to the average closing price of the Shares of HK$0.412 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Relevant Trading Day; and

(c) a discount of approximately 1.96% to the average closing price of the Shares of HK$0.408 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Relevant Trading Day.

The Directors therefore consider that the Consideration and the discount in the issue price of the Consideration Shares to the market price of the Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The issue price of the Consideration Shares was at a discount to the then prevailing market price as: (i) there was a surge in the trading price of the Shares from HK$0.41 per Share (being the closing price of the Shares on the trading day immediately before the Relevant Trading Day) to HK$0.44 per Share (being the closing price of the Shares on the Relevant Trading Day) during the Relevant Trading Day; and (ii) the issue price was determined with reference to the trading prices of the Shares in the last 10 days up to and including the Relevant Trading Day as explained above.

Conditions Precedent

Completion is subject to, among other things, the satisfaction of the following conditions set out in the Acquisition Agreement:

(a) the Company continuing to meet the minimum public float requirement under the Listing Rules immediately after Completion and upon issue of Consideration Shares;

(b) all relevant licences, permissions, waivers, orders, exemptions, notification, authorizations, consents, confirmations and approvals from the relevant third parties and/or bodies necessary for the consummation and implementation of the transactions contemplated in the Acquisition Agreement having been obtained, effective and not having been revoked;

(c) all relevant licences, permissions, waivers, orders, exemptions, notification, authorizations, consents, confirmations and approvals issued or given by the governmental, regulatory or any relevant authorities necessary for the consummation and implementation of the transactions contemplated by the Acquisition Agreement having been obtained, effective and not having been revoked, including but not limited to:

(i) the approval of the Independent Shareholders having been obtained at a duly convened shareholders' meeting of the Company approving the Acquisition Agreement and the transactions contemplated therein, including the sale and purchase of the Sale Shares and the issue and allotment of the Consideration Shares under the Specific Mandate;

(ii) all relevant licences, consents and approvals from the relevant PRC government authorities and agencies and all filings with such PRC government authorities and agencies necessary for the implementation of the transactions contemplated by the Acquisition Agreement in accordance with the applicable PRC laws;

(iii) relevant board and shareholders approval of Beijing Capital in accordance with the provisions of PRC laws, regulations, rules, normative documents and its articles of association;

(iv) the consents (if appropriate or required) of the Stock Exchange and all filings with any relevant governmental regulatory authorities and other relevant third parties in Hong Kong, or elsewhere which are required or appropriate for the entering into and the implementation of the Acquisition Agreement having been made; and

(v) relevant approval from the Overseas Investment Office of New Zealand for the implementation of the transactions contemplated by the Acquisition Agreement in accordance with the applicable New Zealand laws;

(d) the representations and warranties provided by the Vendors contained in the Acquisition Agreement remaining true and accurate as at the Completion Date and as if repeated at all time between the date of the Acquisition Agreement and the Completion Date;

(e) completion of due diligence on the Target Group to the satisfaction of the Company;

(f) the approval of the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange being obtained; and

(g) the Vendors having performed and complied with all agreements, obligations, and conditions contained in the Acquisition Agreement that are required to be performed or complied with by it on or before completion of the transactions contemplated thereunder.

Pursuant to the Acquisition Agreement, the Company may waive in writing any of the conditions precedent specified above at any time (except conditions (a), (c) and (f), which by their nature cannot be waived). As at the date of this circular, the Company has not waived and has no intention to waive any of the conditions precedent to the Acquisition Agreement. The Company will only exercise its right to waive any of the conditions if it is fair and reasonable and in the interest of the Company and the Shareholders to do so and if the waiver of the conditions would not affect the substance of the Acquisition Agreement. If any of the conditions of the Acquisition Agreement is not fulfilled or waived by the Parties on or before 31 December 2016 (or such later date to be agreed between the parties to the Acquisition Agreement in writing), the Acquisition Agreement will lapse and all obligations and liabilities of the parties thereunder (with the exception of certain provisions intended to survive any termination) shall cease. As at the Latest Practicable Date, conditions (c)(ii) and (e) above had been satisfied.

The Target Group has obtained all relevant consents, licenses and permits required for its operations (which are renewed from time to time). Various consents, licenses and permits are required depending on the nature and scope of the operations of the relevant site or branch of the Target Group. Examples of the major consents, licenses and permits include: the resource consents for landfill operations, the trade waste consents and the air discharge consents. These consents are issued by central or local governmental bodies to permit certain operations on a site by site basis. The Target Group does not expect any legal impediment in the renewal of such consents, licenses and permits.

Completion

Completion is expected to take place on or before 31 October 2016.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

C. INFORMATION OF THE GROUP

The Group is a leading provider of comprehensive waste management solutions and environmental infrastructure services in the PRC and has established a market presence spanning across fourteen provinces in the PRC as at the Latest Practicable Date.

D. INFORMATION OF THE VENDORS

Beijing Capital (HK) is a company incorporated with limited liability under the laws of Hong Kong and a controlling shareholder of the Company. Beijing Capital (HK) is wholly owned by Beijing Capital, a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008). Beijing Capital and its subsidiaries are principally engaged in the investment in and management of environmental infrastructure in the PRC with a focus on water projects, solid waste disposal and environment management. Beijing Capital is owned as to 54.62% by Beijing Capital Group. As at 31 December 2015, Beijing Capital had total assets of approximately RMB36.1 billion and recorded a revenue of approximately RMB7.1 billion for the year ended 31 December 2015.

BCG is a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Beijing Capital Group. BCG is principally engaged in investment activities for Beijing Capital Group. Both Vendors are connected persons of the Company.

Beijing Capital Group is a state-owned enterprise owned by the People's Government of Beijing Municipality and is under the direct supervision of the State-Owned Assets Supervision and Administration Commission of the Beijing Municipality. Beijing Capital Group has four core businesses, namely environmental protection, infrastructure, real estate and financial services. As at 31 December 2015, Beijing Capital Group had total assets of over RMB224.4 billion and recorded revenues of more than RMB31.0 billion for the year ended 31 December 2015.

E. INFORMATION OF THE TARGET GROUP

The Target Group has over a century of continuing operation and according to the research report entitled "NZ Waste Market Intelligence" prepared by Pacific Strategy Partners Advisory (which is an Australian strategy consulting firm) in 2013 based on publicly available information, was the largest waste management service provider in New Zealand with over 30% market share in 2013 and has established a national network of vertically integrated local waste systems. It generates revenue from comprehensive waste management services, ranging from collection, operation of transfer stations, landfills, recycling, waste disposal to hazardous and industrial waste treatment and serves more than 200,000 customers in New Zealand. The services provided by the Target Group primarily include the following:

- ***residential collections:*** curbside collection and transportation of household waste to transfer stations or disposal facilities, with long-term contracts generally awarded by local councils;

- ***commercial collections:*** regular and ad-hoc waste collection and transportation from commercial, industrial and construction customers to transfer stations or direct to disposal facilities;

- ***solid waste processing and disposal service:*** developing, investing in and operating modernized landfills, transfer stations and recycling facilities across New Zealand; and

- ***liquid & hazardous waste service:*** collection, processing, treatment and recycling of hazardous and non-hazardous liquid waste, medical wastes, solids (including packaged goods requiring secure disposal) and solvents.

The Target Group mainly generates revenue in the following manners:

- ***residential collections:*** The Target Group enters into contracts which are generally awarded by local councils, with terms generally ranging from 5 to 15 years. Collection services vary by region as local councils may provide one (refuse), two (refuse and recycling) or three (refuse, recycling and organics). The Target Group also enters into contracts with private subscribers where local councils do not provide waste services or require additional waste services other than the local council's funded service. Service fees are paid to the Target Group pursuant to these contracts. Residential waste collection is normally funded through council rates or user pays models.

- ***commercial collections:*** The Target Group enters into contracts with commercial, industrial and construction customers for the provision of regular and/or ad-hoc waste collection services, with terms ranging from 1 to 5 years which roll over.

The standard term for this type of service in the New Zealand waste industry is a 3-year contract with roll over provisions. Waste operators typically provide bins at the customer premises. Service fees are paid to the Target Group pursuant to these contracts. The Target Group's client base comprises clients with different sizes, ranging from large enterprises which generate a high volume of wastes and small-medium enterprises which account for a substantial share of the demand for commercial collections in New Zealand.

- ***solid waste processing and disposal service:*** The Target Group transports waste to refuse transfer stations where certain recyclable materials are sorted when it is safe and economically viable to do so. Collected recyclable materials are usually processed at specialized material recycling facilities. The rest of the waste will then be consolidated for more economical and efficient haulage to landfills. Revenue for the solid waste processing and disposal service is primarily generated from (i) the service fees paid by the local councils and the commercial customers with which the Target Group enters into service contracts for waste collection and (ii) the sale of recyclable commodities such as paper, plastic and glass. Refuse stations and landfills are typically owned by local councils or private operators (e.g. the Target Group).

- ***liquid & hazardous waste service:*** The Target Group enters into customer contracts with various types of customers which generate liquid and hazardous wastes in medical, industrial and manufacturing sites. Special purpose vehicles are used for collection of such liquid and hazardous wastes which are transported to treatment plants for specialized treatment before reuse, release to landfill or disposal as wastewater. The terms and scope of service provided in this type of customer contracts vary depending on the customers' demands. Some contracts are entered into on an ad-hoc basis. Service fees are paid to the Target Group pursuant to these contracts.

To provide the above services, the Target Group owns and manages a fleet of approximately 800 trucks (with various types of functions depending on the types of services being provided) and a total of 29 refuse transfer stations. The Target Group also currently owns 2 landfills, shares 3 joint venture landfills and has the operating contracts for 3 other landfills. The Target Group also currently operates 8 liquid & hazardous waste treatment facilities and 3 composting facilities.

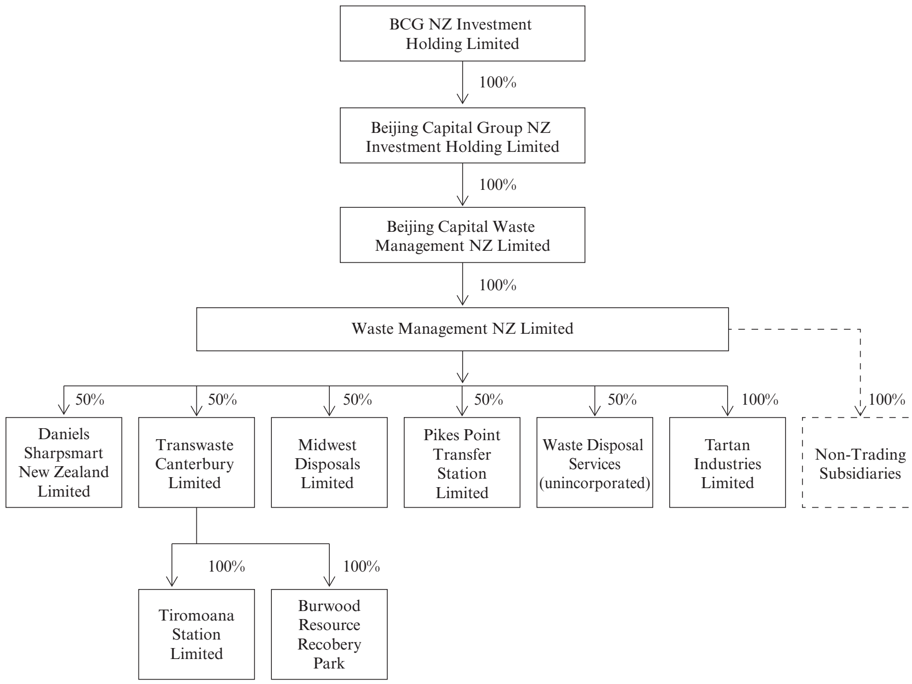
The Target Group offers its services across New Zealand and operates in 70 locations in New Zealand. The Target Group targets all customers that generate wastes, ranging from residential customers to governmental bodies and commercial institutions.

The Target Company is a company incorporated with limited liability under the laws of Hong Kong on 28 March 2014 by BCG, as a holding company for the purpose of acquiring BCWMNZ Group through its wholly-owned subsidiary Beijing NZ. The Target Group includes the Target Company, its subsidiaries (including the Non-Trading Subsidiaries) and 50% controlled joint venture entities.

Waste Management NZ is the main operating subsidiary of the Target Group incorporated on 5 April 2006 and is engaged in the collection, recycling, landfilling of solid waste and liquid and hazardous waste collection and treatment services for residential, commercial and industrial customers.

The Target Group has also established certain joint ventures with local authorities in New Zealand and Independent Third Parties for the purpose of carrying out its operations. Transwaste Canterbury Limited was established on 31 March 1999. It owns and operates the only landfill in Christchurch and the wider Canterbury region, New Zealand. Midwest Disposals Limited was established on 18 August 2000. It owns and operates a landfill and transfer station in Rangitikei, New Zealand. Pikes Point Transfer Station Limited was established on 24 March 1993. It owns and operates the Pikes Point transfer station in Auckland, New Zealand. The Pikes Point transfer station is a refuse transfer station based in Auckland that was established as a joint venture between Waste Management NZ and EnviroWaste. Its operation includes the temporary housing of waste prior to transfer to treatment plants or deposits at landfill. Daniels Sharpsmart New Zealand Limited was established on 4 November 2002 to conduct medical waste collection and disposal service. Waste Disposal Services (unincorporated) owns and operates the Whitford landfill and East Tamaki transfer station in Auckland, New Zealand from 1 December 1993. The East Tamaki transfer station is a refuse transfer station based in Auckland that was established as a joint venture between Waste Management NZ and Auckland Council. Its operation includes the temporary housing of waste prior to transfer to treatment plants or deposits at landfill. The Non-Trading Subsidiaries are the companies that have been incorporated in New Zealand for the sole purpose of name protection as their incorporation would prevent the other third parties from incorporating companies with the same or similar names. These entities are representative of the trading names and brands currently and previously operated by Waste Management NZ and currently have no operating activities. Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date.

Structure of the Target Group



Notes:

1. BCG NZ Investment Holding Limited (i.e. the Target Company) was incorporated on 28 March 2014 and is a holding company.

2. Beijing Capital Group NZ Investment Holding Limited (i.e. Beijing NZ) was incorporated on 20 May 2014 and is a holding company.

3. Beijing Capital Waste Management NZ Limited (i.e. BCWMNZ) was incorporated on 5 April 2006 and is a holding company.

4. Waste Management NZ Limited (i.e. Waste Management NZ) was incorporated on 5 April 2006 and provides waste management services across various locations in New Zealand.

5. Tartan Industries Limited was incorporated on 19 September 1995 and is a land ownership company in Fairfield, New Zealand without any business operation.

6. The Non-Trading Subsidiaries mainly serve name protection purposes (as their incorporation will prevent other third parties from incorporating companies with the same or similar names) and have no business operations.

Based on the consolidated audited accounts of the Target Group, the net asset values of the Target Group as at 31 December 2014 and as at 31 December 2015 were approximately NZ$396.7 million (equivalent to approximately HK$2,399.4 million*) and NZ$449.0 million (equivalent to approximately HK$2,376.5 million*), respectively. The audited financial information for the period from 28 March 2014 (being the date of incorporation of the Target Company) to 31 December 2014 and for the year ended 31 December 2015 are set out below. The financial results of BCWMNZ Group have been consolidated into the accounts of the Target Group since 30 June 2014.

	For the period from 28 March 2014 (the date of incorporation) to 31 December 2014 (NZ$'000 approx.) audited	For the year ended 31 December 2015 (NZ$'000 approx.) audited
Revenue	210,506	445,438
Net profits before taxation	40,696	71,531
Net profits after taxation	37,883	61,840

For the purpose of illustration, the audited financial information converted into HK$ for the period from 28 March 2014 to 31 December 2014 and for the year ended 31 December 2015 are set out below.

	For the period from 28 March 2014 (the date of incorporation) to 31 December 2014 (HK$'000)	For the year ended 31 December 2015 (HK$'000)
Revenue	1,273,333*	2,357,567*
Net profits before taxation	246,167*	378,593*
Net profits after taxation	229,153*	327,298*

* *The figures denominated in NZ$ relating to the period from 28 March 2014 to 31 December 2014 and those for the year ended 31 December 2015 are converted into HK$ at exchange rates of NZ$1: HK$6.0489 and NZ$1: HK$5.2927, respectively. The figures denominated in HK$ are for illustration only.*

Please refer to sections headed "Financial Information of the Target Group" and "Accountants' Report of the Target Group" set out in Appendix II and III respectively to this circular for further financial information of the Target Group in this circular and for further information relating to the business and operations of the Target Group.

F. INDUSTRY OVERVIEW

Industry Overview of the Group

Market overview

The PRC is currently the second largest economy in terms of nominal GDP. The growth of the PRC economy is among the world's fastest, with its nominal GDP increasing at a CAGR of 11.7% from RMB40,890.3 billion in 2010 to RMB63,613.9 billion in 2014, according to the National Bureau of Statistics of China.

Consumption waste collected and transported in the PRC amounted to 178.6 million tonnes in 2014 according to the National Bureau of Statistics of China. Increasing income, rapid urbanisation, population and GDP growth is expected to greatly accelerate municipal waste generation rates in the PRC. The Organisation for Economic Co-operation and Development (OECD) estimated that in 2030, about 60% of the PRC population will be living in urban areas and the annual urban municipal waste generation is expected to be at least 485 million tonnes (representing an increase of 214% from 2004).

Revenue for the solid waste recycling industry in the PRC increased at a rate of 25.7% per annum to approximately US$9.7 billion from 2010 to 2014 according to the IBISWorld Industry Report on solid waste recycling in China in February 2015. Development of the industry is primarily driven by economic growth of the PRC, advancement of technology, deterioration of the environment, demand for limited resources, the urbanization policy and strong government support. The Company believes that the industry will continue to grow driven by urbanization and a rising emphasis on environment protection and resource reclamation. The Group's large number of different emerging and existing projects across the PRC place it in a strong position to take advantage of this growth.

Industry trends

Waste treatment in the PRC includes incineration, recycling, biological treatment, and predominantly controlled landfills. Landfill is the primary waste treatment method in the PRC, representing over 65% of treated waste in 2014 according to the National Bureau of Statistics of China. The main advantage of landfill is its low cost when compared to other treatment methods. However, landfills are rapidly declining in popularity, especially in more developed countries given its imminent drawbacks. Of most concern is the enormous environmental hazards that a poorly managed landfill can have. The generation of hazardous gases and leachate can pose serious secondary pollution, and is often costly or difficult to treat. In addition, with rising urbanization and land prices, it is increasingly expensive to use landfill in major cities, where land resources are scarce. These major cities will have to adopt other technologies to complement landfills as and when existing landfill sites reach full utilization.

Incineration has been gaining more market share since its introduction to the PRC decades ago, with fluidized bed and moving grate technologies being the most commonly used incineration technologies in the PRC. Its main advantages lie in the significant reduction in waste size, making it preferential in coastal cities where land resources are scarce as well as the ability to generate electricity from the incineration process. One of the main problems with incineration is the creation of secondary pollutants, such as dioxins, which are hazardous to human health. Incineration mainly treats combustible waste, and is less suitable for waste with high organic or water content, meaning additional fuel would have to be added to incinerate the waste in areas with less combustible waste.

Recycling and biological waste treatment currently account for a minimal portion of the waste treated in the PRC, but are gaining prominence along with the growing awareness of environmental protection in the PRC. In more developed countries, biological treatment, such as anaerobic digestion, has become more popular due to its pollution-free process and its ability to produce biogas for electricity generation purposes.

Regulatory scheme

Governments play a prominent role in the structure and dynamics of the waste markets, and increasingly there is an initiative to propel the growth of the waste treatment industry in the PRC.

Previously, PRC governmental policies have been largely favorable to the business of the Group. The 12th Five-year Plan (2011–2015) laid down a number of directives to waste management businesses that sought to protect and improve the country's overall environment. The 12th Five-year Plan (2011–2015) referred to improved municipal planning, efficiency maximization through technology advancement, and an increase in government investment to ensure the continued growth of the industry.

From 2016, the PRC environmental protection and green-technology sectors may benefit from new government policies that aim to accelerate the development of the environmental protection industry. The Ministry of Environmental Protection of the People's Republic of China recently published the 13th Five-year Plan (2016–2020), which focuses on protecting the environment and pursuing environmentally friendly economic growth by promoting measures to monitor and reduce air, water and soil pollution. The Directors believe that the country's policy support and action plan on environmental restoration will create new market opportunities.

Competition

The entry barrier to the waste management industry is high due to significant up-front capital costs, stringent regulatory scheme and proven track record of operational experience. As a result, the Group remains in a strong position to leverage its competitive advantage as an industry leader. The Group's portfolio of projects has a nationwide coverage, spanning across fourteen provinces.

Industry Overview of the Target Group

Market overview

It is expected that New Zealand will experience long-term waste volume growth, as the economy and population continue to expand. According to "National Population Projections: 2014(base)–2068" published by Statistics New Zealand (the public service department of New Zealand charged with gathering and producing Statistics) in 2014, it is projected that the annual population growth in New Zealand will be in the range of 1.1% to 1.6%. Further, according to the "Half Year Economic and Fiscal Update" published by the Treasury of the New Zealand government on 15 December 2015, New Zealand achieved a real GDP growth of 3.2% in the year ended March 2015 and is expected to achieve a real GDP growth of 2.1% and 2.4% in the years ending March 2016 and March 2017, respectively. As a result of the increasing population in New Zealand, a rising volume of waste will create greater opportunities for growth in the New Zealand waste management industry. In New Zealand, waste volume and revenue are generally resilient across the economic cycle. Municipal collection contracts are typically awarded as multi-year contracts. Emergency responses to natural and man-made disasters contribute significant one-off revenues.

The waste management market in New Zealand comprises three broad segments of services: collection of waste, transfer of waste, and disposal, reuse or recycling of waste. In 2013, collection accounts for 56% of the total NZ$1.114 billion waste management market, according to the research report entitled "NZ Waste Market Intelligence" prepared by Pacific Strategy Partners Advisory in 2013. The market largely aligns with New Zealand's three urban centers: Auckland, Wellington and Christchurch. Regional areas of New Zealand account for 42% of the total market value. The New Zealand waste market is relatively mature with certain diversion programs for recyclables, green and food waste.

Industry trend in New Zealand

In New Zealand, waste is collected from waste generators by professional companies at curbside or on site. Households waste collection is either organised by the government as a communal service or left to the free market. Commercial, industrial, construction and demolition waste collection is typically left to the free market. Waste is often separated at source into refuse, recyclables (either mixed or separate), and sometimes green and food. Different types of waste are collected using bags, crates or bins.

Transfer of waste can be carried out by direct transportation or through flow consolidation facilities called 'Transfer Stations', and is usually done by dedicated trucks.

Depending on the type of waste and maturity of market, waste is either disposed in landfills or processed in order to be valued. Landfills are the main disposal point for refuse and residual waste from recycling. Recyclables are collected, sorted and collated for sale. Green and food are usually composted and resold for agricultural use.

Regulatory scheme

The regulatory environment for the waste management industry in New Zealand is expected to be mostly stable. Relevant legislation and policies include, among other things, the Waste Minimisation Act 2008 (the "WMA"), the Climate Change Response Act 2002 as amended by the Climate Change Response (Emissions Trading) Amendment Act 2008 and Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012 (the "ETS"), the Hazardous Substances and New Organisms Act 1996 (the "HSNO Act") and the Resource Management Act 1991 (the "RMA").

The WMA, being the main legislation regulating the waste management industry in New Zealand, seeks to maximise the diversion of recyclables and organic waste away from landfills, and imposes an initial NZ$10 levy on each tonne of waste sent to landfills. This levy is due to be reviewed in 2017, and may be increased by regulations under the WMA. The WMA also promotes stewardship schemes and mandatory waste reporting and clarifies the role of territorial authorities in regards to waste minimisation. The ETS establishes New Zealand's Emissions Trading Scheme, which obligates participants (including the waste management industry players) to monitor their greenhouse gas emissions, purchase emissions units, and surrender them to the New Zealand Government after year end. Landfills generally require resource consent (a type of environmental approval) under the RMA from district and regional councils, which generally consider the adverse effects of storing, using, disposing and the transportation of wastes that may contain hazardous substances. Presently, the regulation of hazardous substances is a function of regional and district councils. However, under a change proposed by the Resource Legislation Amendment Bill (the "Bill") the prevention or mitigation of adverse effects associated with hazardous substances will no longer be an explicit function of regional or district councils under the RMA. The proposed removal of this function from the councils is intended to avoid duplication between the regime under the RMA and the regime under the HSNO Act. (The HSNO Act provides specific requirements and regulations in respect of hazardous substances.) The Bill was introduced to the New Zealand Parliament on 26 November 2015 and is currently with the select committee. It is expected to be passed by the end of 2016. The RMA further provides for the setting of National Environmental Standards. The National Environmental Standard for Air Quality requires landfills with a capacity of over 1 million tonnes of waste to collect landfill gases and either flare them or use them as fuel for generating electricity.

Competition

The New Zealand waste management industry has high barriers to entry, given the scarcity of land available for use as landfills, long and onerous regulatory processes, and high up-front capital costs.

There are two key players in the New Zealand waste management industry: the Target Group and the EnviroWaste group, an operation with a network of national facilities. The Target Group is the market leader in all regions with the EnviroWaste group as its only national competitor. The Target Group is the largest waste management service provider in New Zealand and possesses a waste service chain, as well as sophisticated management and technical expertise.

G. RISK FACTORS

Risk Factors in relation to the Group

The Group relies on a limited number and type of customers for substantially all of its income

Most of the Group's projects are under "Build-Operate-Transfer" ("BOT") concession agreements, with government authorities as end customers. The Group derived approximately 36.4% of its revenue from provision of construction service or operation service under service concession arrangements in the year ended 31 December 2015. In the same year, the five largest customers of the Group accounted for 87% of its revenue and the largest customer accounted for 30% of its revenue. Failure by any such customer to make timely payment of fees and tariffs under the respective BOT concession agreements could affect the Group's cash flow. Any remedies for contractual breaches by its customers may be limited because it is difficult and time consuming to enforce any claims against public entities through legal proceedings.

Changes in political or economic policies of the PRC government, and a slowdown in the PRC economy may have an adverse impact on the Group's business, results of operations and financial conditions

The Group, excluding the Target Group, derives all of its revenue from its operations in the PRC. Accordingly, its business, results of operations and financial conditions are significantly affected by the political and economic conditions in the PRC. Any changes in the PRC political, economic and social conditions, laws, regulations and policies or any significant decline in the condition of the PRC economy could result in a decrease in the growth rate of the waste management industry, and reduce demand for our service, and would therefore have a material adverse effect on our business, results of operations and financial condition. The recent slowdown of the PRC economy has directly impacted the level of growth of the waste management industry and posed a potential threat to the overall profitability and progress of the Group. By acquiring the Target Group, the Group will be able to expand its geographical reach to New Zealand, in which the Group does not currently have a presence, and thus broaden its revenue base.

Competition may negatively impact the Group's business and financial performance

The waste management industry in the PRC is highly competitive, with a large number of service providers throughout the country competing in the following areas: cost structure, pricing for bids or tenders, service quality and research and development capability. Competition may lead to lower service prices and increased costs and consequently a lower profit margin of the whole industry, in which case the business and financial performance of the Group will be adversely impacted and the Group's development strategy could be disrupted.

The Group's projects are subject to construction, operational and environmental risks

Developing and operating waste treatment projects involves various risks, including, among others, construction, operational and environmental risks. The construction and operation of the Group's projects could be adversely affected due to a number of factors, including:

- shortages of, and price increases in, equipment, materials or skilled or unskilled labor;
- changes in laws and regulations, or in the interpretation or enforcement of laws or regulations, applicable to our projects;
- industrial accidents during construction or operations of our treatment facilities;
- weather interferences or delays, or fire, typhoons or other natural disasters;
- the Group may not be able to obtain adequate working capital or other financing for the construction or operations of its projects;
- accidents or leakage at sites developed or operated by the Group may cause pollution; and
- other unanticipated circumstances or cost increases may occur.

The Group may not achieve the economic benefits expected from its projects and the failure to obtain the expected economic benefits could adversely affect its business, financial condition and results of operations.

Failure to comply with environmental, labor, health and safety laws and regulations in the PRC in which we operate, may adversely affect the Group's business, financial condition and results of operations

In the normal course of the Group's business operations, the Group is subject to various PRC laws and regulations relating to environmental and safety matters. Failure to meet the environmental laws and regulations in the PRC may result in governmental sanctions. The development of the Group's projects and continuing operations requires various licenses, permits and authorizations, such as, among other things, building and zoning permits as well as environmental licenses. Any failure to comply with the existing or new environmental, health and safety laws or regulations or any increase in compliance or other operating costs resulting from the implementation of additional environmental, health and safety protection measures may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Development of the Group's operations is subject to social activism

In recent years, NIMBY or 'not in my backyard' protests have become more frequent in the PRC as local residents wish to protect their neighborhoods from the potential negative impact of industrial facilities to be built nearby. It has become more likely for businesses in the waste management industry to encounter resistance from local residents during the process of selecting sites and applying for approvals to build waste management facilities. The efforts to maintain existing sites and build new sites may therefore be slowed, or even stayed.

The Group's continued success is dependent on its ability to retain the services of the key management personnel

The loss of services of the Group's key management personnel without timely and suitable replacement will adversely affect the Group's operations and, hence, its turnover and profits. As a result, the Group's continued success depends largely on its ability to attract and retain skilled technical specialists. If the Group is unable to attract and retain a sufficient number of suitably skilled and qualified technical specialists, its financial condition and results of operations would be materially and adversely affected.

Risk Factors in relation to the Target Group

The Target Group may not successfully maintain its market share due to competition

While the Target Group is the largest player in the waste management market of New Zealand, there are a number of entities which compete with the Target Group in the solid, liquid and hazardous waste industries and industrial solutions industries. The market share of the Target Group is contingent on a number of factors such as securing major new contracts (including local council contracts), developing new technologies and adopting competitive pricing strategies designed to increase market share. If the Target Group is unable to maintain its market shares, its financial performance may be negatively impacted.

The business of the Target Group relies heavily on technologies and techniques that are subject to continuous evolution and changes and its research and development initiatives may not continue to enable it to remain competitive

The Target Group's continued success and competitiveness depend on its ability to develop and improve its waste management technologies and techniques. These technologies and techniques are subject to continuous evolution and changes. It may not be able to keep up with changes in technology and techniques in a timely manner or at a reasonable cost. If the Target Group is unable to continue developing its technologies and techniques or if there are fundamental technological changes in the industry to which it cannot adapt, it may not be able to remain competitive, and its business, results of operations and financial condition could be materially and adversely impacted.

Business of the Target Group is subject to certain environmental regulations

The Target Group's operations are subject to extensive laws and regulations in New Zealand. There has also been a general increase in community awareness of environmental issues and therefore a higher standard is expected of waste management operations.

The Target Group is subject to all the hazards, risks and potential liabilities present in the waste management industry. Companies operating local landfills in New Zealand require licenses which impose stringent conditions aiming to protect the environment. Non-compliance or breach of these license conditions may lead to severe penalties and/or the revocation of a license. Further, the Target Group's operations are subject to extensive planning laws and regulations. The costs of compliance as well as contingent costs that may be incurred in the event of non-compliance therefore lead to greater future liabilities of the Target Group. Major non-compliances may also have adverse impacts on the Target Group's reputation and capability to secure additional work.

Regulatory or legislative changes that are adverse to the Target Group may also impact the Target Group's business negatively. The Target Group regularly monitors potential changes, makes submissions to the government and councils on proposed changes and actively involves itself in industry bodies in order to stay ahead of potential changes.

The Completion is subject to the approval of the Overseas Investment Office of New Zealand, which is yet to be obtained.

The Target Group is subject to risks associated with occupational health and safety

The Target Group's operations involve risks to both properties and personnel. A health and safety incident may lead to serious injury or death. Such an incident may cause financial and reputational damage to the Target Group. The Target Group has an occupational health and safety policy that is audited internally and externally to meet legislative obligations and industry best practice and treats safety as the first priority when operating its business. However, there remains a risk of breach of health and safety obligations which could give rise to penalties, prosecutions and claims.

Exchange rate fluctuations may affect the financial performance of the Target Group

The operations of the Target Group are based in New Zealand. Fluctuations in the RMB:HK$:NZ$ exchange rates can adversely affect the Renminbi translated financial performance of the Target Group, in particular BCG NZ Investment Holding Limited. In 2014 and 2015, the New Zealand dollar depreciated significantly against the U.S. dollars, resulting in its overall trend of depreciation against the Renminbi during the same period. The PRC devalued the Renminbi daily reference rate to the U.S. dollar in August 2015, leading to significant depreciation of the Renminbi against other major foreign currencies in late 2015. As a result, the RMB:NZ$ exchange rate fluctuates significantly in late 2015 and early 2016. In the future, the PRC government may adopt a more flexible currency policy, which may lead to a more substantial revaluation of the Renminbi against foreign currencies, including the New Zealand dollar, and therefore have an adverse effect on the Renminbi translated financial condition and results of operation of the Target Group. In addition, WMNZ is exposed to fluctuation in exchange rate, as it exports recycling commodities in US$ and imports capital equipment in other currencies. WMNZ is also exposed to US$ fluctuation as it relies on diesel in its daily operations.

The directors of the Group do not expect that foreign exchange market fluctuations will materially affect the business of the Group given their flexible and active approach to monitoring foreign exchange movements.

The Target Group may become the subject of legal claims

The Target Group is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, property damage and personal liability claims and governmental enquiries and investigations, with respect to its operations. Governmental enquiries and investigations may be initiated by, among others, the Commerce Commission, Inland Revenue, environmental protection agencies, and other government authorities or regulators.

The Target Group is exposed to industrial disputes with its workforce

The Target Group's operations are dependent upon a stable workforce. The Target Group is exposed to the risk of industrial disputes arising from claims for higher wages or better welfare which could disrupt parts of the Target Group's business and may have an adverse impact on its operating and financial performance. The Target Group has a number of collective agreements with employees, the majority of which are registered and with the balance unregistered. Any further negotiation of the unregistered collective agreements or renegotiation of the registered collective agreements on their expiry may result in industrial disputation and/or future wage and remuneration increases. These may have an adverse impact on the Target Group's operating and financial performance and cash flows.

The operations of the Target Group depend on its key personnel and its failure to attract and retain the same may affect its performance

The Target Group's operations are dependent on the staff it employs, particularly the continued performance, efforts, abilities and expertise of its key management personnel. Inability to attract and retain such personnel could have an adverse effect on the operations of the Target Group as it may not be able to recruit suitable replacements for key personnel within a short timeframe.

The Company, its Directors and senior management do not have any relevant experience and knowledge in relation to the New Zealand waste management service industry/business, but will, with the assistance of the existing management of BCWMNZ Group (which will be retained and are expected to stay after the Completion), manage the business of the Target Group.

To ensure better management of the Target Company, the Company has appointed two representative directors to the board of the Target Company, namely Mr. Wang Hao (王灝), an executive Director and the chairman of the Company and Mr. Liu Yongzheng (劉永政), another executive Director.

Mr. Wang, a senior economist, a professor and a mentor for doctoral students. Mr. Wang obtained his Master's degree in Engineering at Fuxin Mining Institute, Liaoning, a Doctoral degree at School of Economics of Peking University and a Doctoral degree at School of Government of Peking University. He was appointed as an executive Director and chairman of the Company in September 2015. Mr. Wang is the chairman of Beijing Capital Group, the chairman of Beijing Capital and the president of Business Management Research Institute of Beijing Capital (首創企業管理研究院). Prior to joining Beijing Capital Group, Mr. Wang served as the executive secretary of the Party Committee, head of the enterprise development department, factory manager assistant and deputy factory manager of the 3rd Factory of Beijing Coal Corporation (北京市煤炭總公司), the deputy manager of Beijing Coal Corporation, a party member and the deputy head of Beijing Municipality Overseas Finance and Investment Managing Center (北京市境外融投資管理中心), a party member, director and deputy general manager of Beijing State-owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司), a standing member of the Party Committee, director and deputy general manager of Beijing Metro Group Co., Ltd., the deputy party secretary of the Party Committee, director and general manager of Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司), and a member of the Party Committee and the deputy head (director-general level) of Beijing State-owned Assets Supervision and Administration Commission. Mr. Wang has been a director of Beijing Capital since September 2013, a non-executive director of Beijing Capital Juda Limited (Stock Code: 1329) since December 2013 and Beijing Urban Construction Design & Development Group Co., Limited (Stock Code: 1599) since November 2014. He started to serve as a non-executive director of Beijing Capital Land Ltd. (Stock Code: 2868) in September 2013 and was subsequently re-designated as an executive director and the chairman since August 2015.

Mr. Liu obtained a Bachelor's degree in Economic Law from the School of Law of the Renmin University of China and a Master's degree from the School of Law of the Temple University of the United States. Mr. Liu is the director and general manager of Beijing Capital. Mr. Liu served as a teacher at the Social Science Faculty of Beijing Institute of Meteorology and a lawyer at Zhong Lun Law Firm, Li Wen Law Firm and J&J Law Firm in Beijing.

In addition, the key personnel of the Target Group include Mr. Song Fengjing (宋豐景), Mr. Yang Bin (楊斌), Mr. Thomas Harvey Nickels and Mr. Hans Evan Geoffrey Maehl. They have extensive experience in relation to the waste management service. The Board believes that they have the quality and capability in managing and operating the business of the Target Group together with Mr. Wang and Mr. Liu.

Mr. Song, has been appointed as a non-executive director of Beijing Capital Land Limited (Stock Code: 2868) since December 2014. Mr. Song is currently a senior economist. From August 1991 to February 1995, Mr. Song served as a researcher, a senior researcher and a deputy director in the Research Office of Beijing Municipal Labour Bureau. From February 1995 to May 1999, Mr. Song served as the director of the Employment Management Office of Beijing Municipal Labour Bureau. From May 1999 to May 2000, he served as the director of Employment Management Office and the director of Unemployment Management Office of Beijing Municipal Labour and Social Security Bureau successively. From May 2000 to October 2000, Mr. Song was appointed as the director of the Employment Service Centre of Beijing. From October 2000 to March 2009, Mr. Song was the deputy director of the Beijing Municipal Labour and Social Security Bureau. From March 2009 to January 2013, Mr. Song was a member of party committee and deputy director of Beijing Municipal Human Resource and Social Security Bureau. From January 2013 to present, he has been a vice secretary of party committee and a director of Beijing Capital Group. Mr. Song obtained a Master's degree in Economics in 1991 and a Doctoral degree in Economics in 2006 from Beijing Normal University (北京師範大學).

Mr. Yang was appointed as the vice general manager of the facilities division of Beijing Capital Group in April 2013 and was promoted to the general manager the facilities division of Beijing Capital Group in October 2015. He served as a director in a number of subsidiaries of Beijing Capital during the period from January 2008 to December 2013. Before that, he served as the vice general manager of the human resources division and vice general manager and the general manager of the strategic planning division of Beijing Capital during the period from October 2001 to December 2007. Mr. Yang obtained a Bachelor's degree in Social Science from Central South Industrial University (中南工業大學) (currently known as Central South University (中南大學)) and a Master's degree in Business Administration from Tsinghua University in 1991 and 2001, respectively.

Mr. Nickels joined Waste Management NZ in 2008 as the managing director and is responsible for overseeing all waste management businesses of the Target Group in New Zealand, with a particular focus on the environment, health and safety, customer service and operational efficiency. Prior to joining Waste Management NZ, he was the managing director of Chubb NZ during 2006 to 2008 and the chief executive of Carter Holt Harvey Wood Products during 2003 to 2005. Mr. Nickels obtained a Bachelor's degree in Engineering from University of Adelaide and a Master's degree in Business Administration from Monash University in 1978 and 1996, respectively.

Mr. Maehl joined Waste Management NZ in 2012 as the chief financial officer and is responsible for overseeing the finance, informational technology and legal aspects of Waste Management NZ. Prior to joining Waste Management NZ, he was the chief financial officer at Villa Maria Estate during the period from June 2007 to November 2012 and before that served as a finance manager for the Commercial & Operations of Pernod Ricard NZ during the period from June 2002 to June 2007. Mr. Maehl obtained a Bachelor's degree in Commerce and a Post Graduate Diploma in Commerce from University of Auckland in 1989 and 1990, respectively. He also obtained a Diploma in Financial and Treasury Management in 1995. Mr. Maehl is also a Chartered Accountant (CAANZ), a Certified Practicing Accountant (CPA Australia) and a Certified Treasury Professional (INFINZ New Zealand).

H. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board considers that the Acquisition is beneficial to the Group for the following reasons:

(a) the Group has been principally operating in the PRC. Acquisition of the Target Group, which operates in the same line of business as the Company in New Zealand, will allow the Group to expand its geographical reach to New Zealand, in which the Group does not currently have a presence, and thus broaden its revenue base, effectively elevate its market position and promote its brand in overseas markets;

(b) the Target Group is the largest waste management service provider in New Zealand and possesses a vertically integrated waste service chain as well as sophisticated management and technical expertise. By adopting a similar service chain and system into the Group's domestic operations in the PRC and through the transfer of operational know-how and technical expertise, the Acquisition will help us expand our footprint in the domestic market and consolidate our leadership in the environmental industry; and

(c) according to its audited accounts, the Target Group recorded a revenue of approximately NZ$210.5 million and net profits (after tax) of approximately NZ$37.9 million for the period from 28 March 2014 to 31 December 2014, and a revenue of NZ$445.4 million and net profits (after tax) of NZ$61.8 million for the year ended 31 December 2015. The Directors therefore believe that the Acquisition will substantially enhance the revenue base and profit base of the Enlarged Group upon Completion.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be set out in the circular) are of the view that the terms of the Acquisition Agreement are on normal commercial terms, in the ordinary course of business, and in the interests of the Group, the Company and the Shareholders as a whole.

As at the date of this circular, the Company intends to develop its existing business in the PRC in a way that is consistent with its approach as disclosed in its annual report for the year 2015.

I. IMPLICATIONS UNDER THE LISTING RULES

With respect to the Acquisition, as certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, one of the Vendors, Beijing Capital (HK), is the controlling shareholder of the Company and the other Vendor, BCG, is a wholly-owned subsidiary of Beijing Capital Group, which directly and indirectly holds and aggregate of 54.62% of Beijing Capital, the sole shareholder of Beijing Capital (HK). Accordingly, the Vendors are connected persons of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Beijing Capital (HK) and its associates, including BC Water, are required to abstain from voting on the resolution(s) approving the Acquisition at the EGM. Voting at the EGM will be conducted by poll. Application will be made to the Stock Exchange for the listing and permission to deal in the Consideration Shares.

On 19 June 2014 and according to revisions made to the terms of the loan on 11 June 2015, BCG provided the Target Company with the BCG Loan of NZ$570 million (equivalent to approximately RMB2,528 million or HK$3,017 million) for a term of 3 years with an annual interest rate of 5.0%, which is consistent with general market rates and on normal commercial terms and not secured by any assets of the Target Group. As at the Latest Practicable Date, the whole amount of the BCG Loan is outstanding. As BCG is a connected person of the Group, the transaction will constitute a continuing connected transaction under Rule 14A.31 of the Listing Rules upon Completion and will be fully exempt under Rule 14A.90 of the Listing Rules.

J. SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE COMPLETION OF ACQUISITION AND THE DILUTION EFFECT TO THE EXISTING SHAREHOLDERS

Subsequent to the issue of the Consideration Shares to the Vendor, the Vendors will be interested in approximately 66.9% in the share capital of the Company upon Completion as enlarged by the issue of the Consideration Shares.

Set out below is a table showing, for the purpose of illustration, the shareholding structure of the Company before and after the issue of the Consideration Shares (assuming that save for the Consideration Shares, no further Shares will be issued by the Company after the date of this circular until completion of the Acquisition):

	As at the Latest Practicable Date		**Shareholding immediately after Completion (after adjustment)**	
	No. of Shares	*Approximate percentage of shareholding*	*No. of Shares*	*Approximate percentage of shareholding*
Beijing Capital (HK) *(Note 1)*	5,001,008,931	51.28	6,425,816,736	44.95
BC Water *(Note 1)*	23,210,000	0.23	23,210,000	0.16
BCG *(Note 2)*	—	—	3,116,767,072	21.80
Other Shareholders *(Note 3)*	4,728,939,359	48.49	4,728,939,359	33.09
Total	9,753,158,290	100.00	14,294,733,167	100.00

Notes:

1. Both Beijing Capital (HK) and BC Water are wholly-owned subsidiaries of Beijing Capital. Beijing Capital is in turn controlled by Beijing Capital Group. For the purposes of the SFO, Beijing Capital and Beijing Capital Group are deemed to have interest in the Shares held by Beijing Capital (HK) and BC Water.

2. BCG is a wholly-owned subsidiary of Beijing Capital Group. Therefore, Beijing Capital Group is also deemed to be interested in the Shares held by BCG for the purposes of the SFO.

3. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, all of the other Shareholders are public shareholders for the purpose of Rule 8.08 of the Listing Rules.

K. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

For illustrative purposes only, Appendix V to this circular presents the unaudited pro forma consolidated financial information of the Enlarged Group.

Earnings

As shown in the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group set out in Appendix V to this circular, the pro forma profit or loss for the year of the Enlarged Group attributable to equity holders of the Company for the year ended 31 December 2015, as if the Acquisition had taken place on 1 January 2015, would have been a gain of HK$153 million.

Assets and Liabilities

As shown in the unaudited pro forma consolidated statement of financial position of the Enlarged Group set out in Appendix V to this circular, assuming the Acquisition had taken place on 31 December 2015, the pro forma total assets and total liabilities of the Enlarged Group as at 31 December 2015 would have been HK$10,605 million and HK$5,420 million, respectively.

L. PROSPECTS OF THE ENLARGED GROUP

During the year ended 31 December 2015, the Group was principally engaged in the provision of comprehensive waste management solution and environmental infrastructure services in the PRC. For the year ended 31 December 2015 the Group's revenue was approximately HK$838 million and profit for the year was approximately HK$32 million. The management of the Company has been actively exploring new business and investment opportunities to improve its profitability and to bring reasonable return to its shareholders. The Board considers that the Acquisition will help the Group broaden its revenue base, effectively elevate its market position and promote its brand in overseas markets and help the Group expand its footprint in the domestic market and consolidate its leadership in the environmental industry.

It is expected that the provision of comprehensive waste management solution and environmental infrastructure services in the PRC and in New Zealand will be run in parallel after the Completion. After the Completion, the Company will assist the Target Group in strengthening and expanding its business in New Zealand with the Company's anaerobic digestion and electronic waste dismantling technologies. It is expected that the Acquisition will bring synergy between the Group and the Target Group by combining the Target Group's expertise in market investment, waste transportation, sorting and landfill and the Group's network and market position in the PRC.

Separately, the Company will continue to retain the existing business in the same scale and has no plan to make any significant change to such its existing business. The Group actively explores business opportunities in all areas of the environmental protection and alternative energy industries to keep up with the rapid development. As at the Latest Practicable Date, the Group secured a total of 26 environmental protection and alternative energy projects, including 14 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. The facilities are designed with an aggregate annual household waste processing capacity of approximately 7.53 million tons and an annual electrical and electronic equipment dismantling volume of approximately 3.2 million units. Out of the 26 projects secured by the Group, the Group has entered into legally binding agreements with the relevant government authorities or vendors in respect of 18 projects, including 10 waste-to-energy projects, 3 waste landfill projects, 2 anaerobic digestion technology treatment projects, 1 waste collection, storage and transportation project and 2 dismantling waste electronic appliances projects. The terms of the agreements for the remaining 8 projects, including 4 waste-to-energy projects, 1 anaerobic digestion technology treatment project and 3 biomass resources electricity generation projects, are still under negotiation and no definite and legally binding agreements have been entered into for these 8 projects. Announcements and/or circulars in relation to 10 projects have been issued and published in accordance with the relevant requirements in Chapter 14 of the Listing Rules.

As at the Latest Practicable Date: (i) no further capital investment or commitment was required or intended to be made by the Company to the Target Company; and (ii) the Company did not have any intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) about any disposal, scaling-down and/or termination of its existing business and/or major operating assets.

The Group will further consolidate and improve its existing businesses and technologies, and will continue to seek projects with growth potential and good opportunities for mergers and acquisitions, with an aim to contributing to the environmental protection of China and the world. The Group is aiming to acquire three to four waste-to-energy projects per year in the forthcoming years.

M. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on matters in relation to the Acquisition Agreement and the Acquisition.

The Company has, with the approval of the Independent Board Committee, appointed China Galaxy International Securities (Hong Kong) Co., Limited as the Independent Financial Adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee on matters in relation to the Acquisition Agreement.

N. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

O. EGM

A notice of the EGM to be held at Unit 1613–1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, on Friday, 24 June 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, approving (a) the Acquisition Agreement; (b) the Acquisition; and (c) the proposed grant of the Specific Mandate.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

In order to determine the list of shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from 22 June 2016 to 24 June 2016 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on 21 June 2016 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4: 30 p.m., 21 June 2016.

P. VOTING AT THE EGM AND THE BOARD MEETINGS

Beijing Capital (HK), one of the Vendors, is the controlling shareholder of the Company. The other Vendor, BCG, is a wholly-owned subsidiary of Beijing Capital Group, which directly and indirectly holds an aggregate of 54.62% of Beijing Capital, the sole shareholder of Beijing Capital (HK). Accordingly, the Vendors are connected persons of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Besides Beijing Capital (HK) and its associates, including BC Water, none of the Shareholders are required to abstain from voting on the resolution(s) approving the Acquisition at the EGM. As at the Latest Practicable Date, each of Beijing Capital (HK) and BC Water held 5,001,008,931 Shares (representing approximately 51.28% of the issued share capital of the Company) and 23,210,000 Shares (representing approximately 0.23% of the issued share capital of the Company), respectively.

Voting at the EGM will be conducted by poll.

None of the Directors has any material interest in the Acquisition or is required to abstain from voting on the Board resolutions in relation to the Acquisition.

Q. RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of the Acquisition Agreement and the Acquisition and after taking into account the advice from the Independent Financial Adviser, considers that the terms and conditions of the

Acquisition Agreement are on normal commercial terms and are fair and reasonable; and that the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

The Directors consider that the terms and conditions of the Acquisition Agreement are on normal commercial terms and are fair and reasonable; and that the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement and the Acquisition.

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 38 to 39 of this circular.

The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Acquisition Agreement and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 40 to 70 of this circular.

R. FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Group, the Target Group and the Enlarged Group and other information required to be disclosed under the Listing Rules.

S. WARNING

The Acquisition is subject to a number of conditions including approvals by the Independent Shareholders at the EGM and the approval from the Stock Exchange, which may or may not be fulfilled. In the event that any of the conditions to the Completion is not fulfilled, the Acquisition Agreement will not become unconditional and the Acquisition will not proceed.

SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board of
Capital Environment Holdings Limited
Wang Hao
Chairman

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

8 June 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF BCG NZ INVESTMENT HOLDING LIMITED;
(2) SPECIFIC MANDATE TO ISSUE CONSIDERATION SHARES;
AND
(3) NOTICE OF EGM

We refer to the circular dated 8 June 2016 issued by the Company of which this letter forms part of (the "Circular"). Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Acquisition Agreement, and the Acquisition, details of which are set out in the section headed "Letter from the Board" contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 6 to 37 of the Circular and the letter of advice from the Independent Financial Adviser, the Independent Financial Adviser appointed to advise the Independent Board Committee on the terms of the Acquisition Agreement, set out on pages 40 to 70 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms and conditions of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and that the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the EGM in respect of the Acquisition Agreement and the Acquisition.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Capital Environment Holdings Limited

Pao Ping Wing
Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva
Independent non-executive Directors

The following is the text from China Galaxy International Securities (Hong Kong) Co., Limited to the Independent Board Committee and the Independent Shareholders, prepare for the purpose of inclusion in this circular.

中國銀河國際
CHINA GALAXY INTERNATIONAL

Room 3501–3507, 35/F
Cosco Tower
183 Queen's Road Central
Hong Kong

8 June 2016

*To: The Independent Board Committee and
the Independent Shareholders of Capital Environment Holdings Limited*

Dear Sirs,

**(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF BCG NZ INVESTMENT HOLDING LIMITED;
AND
(2) SPECIFIC MANDATE TO ISSUE CONSIDERATION SHARES**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition of 51% of the issued share capital of the Target Company pursuant to the terms and conditions of the Acquisition Agreement. Details of the transactions are set out in the "Letter from the Board" contained in the circular of the Company dated 8 June 2016 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As set out in the Letter from the Board, on 26 November 2015 the Company entered into the Acquisition Agreement with the Vendors to acquire the Sale Shares, being 51% of the issued share capital of the Target Company owned by the Vendors. The Target Group provides comprehensive waste management services, ranging from collection, operation of transfers stations, landfills, recycling, waste disposal to hazardous and industrial waste treatment and serves more than 200,000 customers in New Zealand.

With respect to the Acquisition, as certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, one of the Vendors, Beijing Capital (HK), is the controlling shareholder of the Company and the other Vendor, BCG, is a wholly-owned subsidiary of Beijing Capital Group, which directly and indirectly holds and aggregate of 54.62% of Beijing Capital, the sole shareholder of Beijing Capital (HK). Accordingly, the Vendors are connected persons of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 19 June 2014 and according to revisions made to the terms of the loan on 11 June 2015, BCG provided the Target Company with the BCG Loan of NZ$570 million for a term of 3 years with an annual interest rate of 5.0% and not secured by any assets of the Target Group. As at the Latest Practicable Date, the whole amount of the BCG Loan is outstanding. As BCG is a connected person of the Group, the transaction will constitute a continuing connected transaction under Rule 14A.31 of the Listing Rules upon Completion and will be fully exempt under Rule 14A.90 of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

As at the Latest Practicable Date, the Independent Board Committee, comprising all of the independent non-executive Directors (namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva) who have no direct or indirect interest in the Acquisition contemplated under the Acquisition Agreement, has been established to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement are on normal commercial terms, are fair and reasonable, and whether the Acquisition is in the ordinary and usual course of business of the Company and in the interests of the Company and the Independent Shareholders as a whole. In this regard, we, China Galaxy International Securities (Hong Kong) Co., Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on this matter.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the independent board committee and the Independent Shareholders of the Company for a past engagement:

Date of the relevant circular and our letter of advice	Nature of the transaction
11 May 2015	Proposed right issue of the basis of one right share for every one share held on the record date; Application for whitewash waiver; and Proposed increase in authorised share capital

The abovementioned past engagement was limited to provide independent advisory services to independent board committees and Independent Shareholders of the Company pursuant to the proposed right issue in May 2015. China Galaxy International Securities (Hong Kong) Co., Limited received normal professional fees from the Company for this past engagement. Notwithstanding this past engagement, as at the Latest Practicable Date, there were no relationships or interests between China Galaxy International Securities (Hong Kong) Co., Limited and the Company that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders pursuant to the Acquisition Agreement as detailed in the Circular.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committees and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and all information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the date of the despatch of the Circular. Shareholders will be notified of material changes as soon as possible if any, to the information and representations provided and made to us after the date of the dispatch of the Circular and up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The information contained herein has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of such information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company, the Group or any of their respective associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources which are the latest information publicly available to the best of our knowledge, the sole responsibility of China Galaxy International Securities (Hong Kong) Co., Limited is to ensure that such information has been correctly extracted from the relevant sources.

A. INFORMATION OF THE GROUP

1. Business of the Group

The Group is principally engaged in waste treatment and waste-to-energy business primarily in the PRC. It involves in the technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects in the PRC. The Group is also engaged in the procurement and trading of equipment, as well as provision of engineering and technical services, and municipal solid waste recycling treatment services.

2. Financial information of the Group

The following table summarizes the consolidated financial performance of the Group for the year ended 31 December 2014 and 2015, respectively:

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Revenue	963,608	838,138
Cost of sales	(841,063)	(674,129)
Gross profit	122,545	164,009
Other income, gains and losses	(104,263)	66,573
Gain on fair value change of embedded derivatives	86,762	—
Gain on fair value change of warrants	3,861	79
Administrative expenses	(103,164)	(119,048)
Share of results of an associate	4,102	8,754
Finance costs	(67,292)	(88,929)
(Loss)/Profit before tax	(57,449)	31,438
Income tax (expenses)/credit	(5,080)	536
(Loss)/Profit for the year	(62,529)	31,974
(Loss)/Profit for the year attributable to Owners of the Company	(68,266)	23,518

Source: Annual reports of the Group for the years ended 31 December 2014 and 2015

Revenue of the Group decreased by approximately 13.0% from approximately HK$963.6 million in 2014 to approximately HK$838.1 million in 2015, mainly attributable to the decrease in provision of construction service under service concession arrangements from approximately HK$505.4 million in 2014 to approximately HK$251.0 million in 2015, partially offset by the increase in provision of dismantling services by HK$87.5 million. The gross profit for the year ended 31 December 2015 amounted to approximately HK$164.0 million and represented an increase of 33.8%, compared to HK$122.5 million in 2014. The overall gross profit margin for the year ended 31 December 2015 was approximately 19.6%, which was higher that of approximately 12.7% for the year ended 31 December 2014, due to the contribution from projects with higher gross profit margin.

Profit for the year increased by approximately HK$94.5 million from a loss of approximately HK$62.5 million in 2014 to a profit of approximately HK$32.0 million in 2015, mainly attributable to the increase in gross profit and other income, gains and losses. The Group recorded HK$66.5 million of other income, gains and losses in 2015, which was primarily attributable to certain reversal of impairment losses in connection with the amount due from an investee and other receivables which were recognized in the past years. In 2014, the Group recorded HK$104.9 million impairment loss on deposits paid for construction of infrastructure in service concession arrangements. However, the increase in profit for the year was partially offset by (i) the increased administrative expenses, due to the consolidation of the administrative expenses increased by newly acquired subsidiaries in 2015; and (ii) the increased financing costs including interests on borrowings and bank and other charges during the year of 2015.

The table below summaries the consolidated financial position of the Group as of 31 December 2014 and 2015, respectively:

	As of 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Non-current assets	2,105,519	2,153,804
Current assets	886,601	1,729,969
Assets classified as held for sale	—	308,037
Current liabilities	(1,609,421)	(685,200)
Liabilities associated with assets classified as held for sale	—	(132,964)
Non-current liabilities	(690,159)	(546,701)
Net assets	692,540	2,826,945
Equity attributable to owners of the Company	488,889	2,599,006
Net current (liabilities)/assets	(722,820)	1,219,842

Source: Annual reports of the Group for the years ended 31 December 2014 and 2015

As at 31 December 2015, non-current assets of the Group mainly comprised of (a) amounts due from grantors for contract work of approximately HK$1,155.2 million, representing 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 basis, plus attributable profits on the services provided; and (b) intangible assets, representing licenses and franchise and technology know-how, amounted to approximately HK$411.2 million.

As at 31 December 2015, current assets of the Group mainly comprised (a) bank balances and cash of approximately HK$1,201.4 million; (b) trade receivables of approximately HK$317.6 million; and (c) assets classified as held for sale of approximately HK$308.0 million. The increase in current assets from HK$886.6 million in 2014 to HK$1,730.0 million in 2015 was mainly due to the completion of the rights issue in July 2015 with the net proceeds of approximately HK$2.13 billion.

As at 31 December 2015, current liabilities of the Group mainly represented (a) bank and other borrowings of approximately HK$458.7 million; and (b) other payables and accruals of approximately HK$145.2 million. The current liabilities have decreased from HK$1,609.4 million in 2014 to HK$685.2 million in 2015 mainly due to the repayment of bank loans by use of the net proceeds from the rights issue.

B. INFORMATION OF THE TARGET GROUP

1. Business and history of the Target Group

As stated in the Letter from the Board, the Target Company is a company incorporated with limited liability under the laws of Hong Kong on 28 March 2014 by BCG, as a holding company for the purpose of acquiring BCWMNZ and its subsidiaries through its wholly-owned subsidiary Beijing NZ. The Target Group includes the Target Company, its subsidiaries (including the Non-Trading Subsidiaries) and 50% controlled joint venture entities. Waste Management NZ is the main operating subsidiary of the Target Group incorporated on 5 April 2006 and is engaged in the collection, recycling, landfilling of solid waste and liquid and hazardous waste collection and treatment services for residential, commercial and industrial customers.

The Target Group has over a century of continuing operation and according to the research report entitled "NZ Waste Market Intelligence" prepared by Pacific Strategy Partners Advisory (which is an Australian strategy consulting firm) in 2013 based on publicly available information, was the largest waste management service provider in New Zealand with an over 30% market share in 2013 and has established a national network of vertically integrated local waste systems. It generates revenue from comprehensive waste management services, ranging from collection, operation of transfers stations, landfills, recycling, waste disposal to hazardous and industrial waste treatment and serves more than 200,000 customers in New Zealand. The services provided by the Target Group primarily include the following:

- **residential collections:** curbside collection and transportation of household waste to transfer stations or disposal facilities, with long-term contracts generally awarded by local councils;

- **commercial collections:** regular and ad-hoc waste collection and transportation from commercial, industrial and construction customers to transfer stations or direct to disposal facilities;

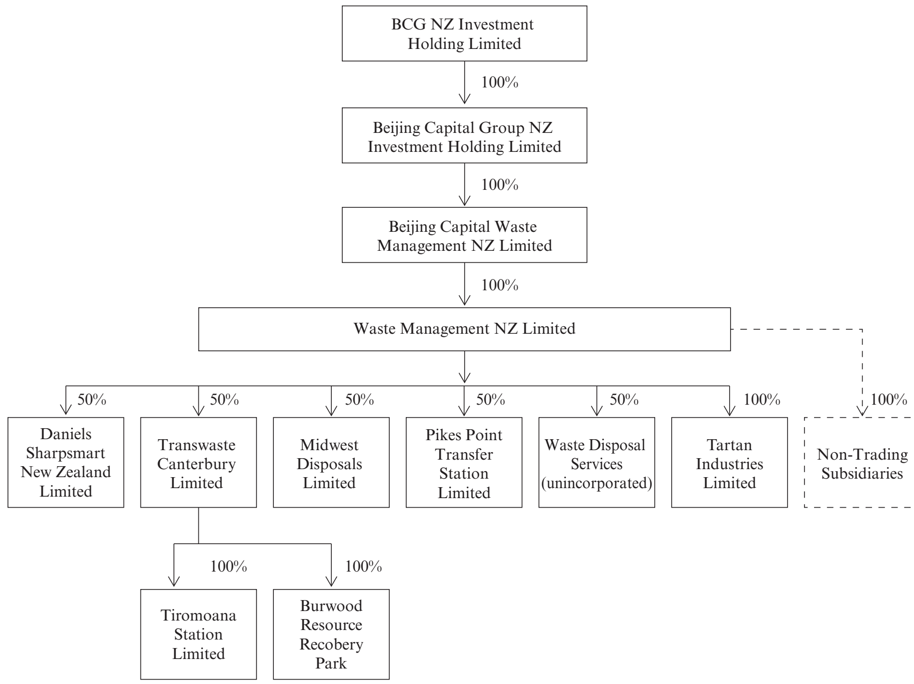
- **solid waste processing and disposal service:** developing, investing and operating modernized landfills, transfer stations and recycling facilities across New Zealand; and

- **liquid & hazardous waste service:** collection, processing, treatment and recycling of hazardous and non-hazardous liquid waste, medical wastes, solids (including packaged goods requiring secure disposal) and solvents.

The Target Group offers its services across New Zealand and operates in 70 locations in New Zealand. The Target Group targets all customers that generate wastes, ranging from residential customers to governmental bodies and commercial institutions. As reported by the Wall Street Journal on 3 March 2014, the Target Group was then the largest waste management company in New Zealand.

The Target Group has also established certain joint ventures with local authorities in New Zealand and Independent Third Parties for the purpose of carrying out its operations. Transwaste Canterbury Limited was established on 31 March 1999. It owns and operates the only landfill in Christchurch and the wider Canterbury region, New Zealand. Midwest Disposals Limited was established on 18 August 2000. It owns and operates a landfill and transfer station in Rangitikei, New Zealand. Pikes Point Transfer Station Limited was established on 24 March 1993. It owns and operates the Pikes Point transfer station in Auckland, New Zealand. The Pikes Point transfer station is a refuse transfer station based in Auckland that was established as a joint venture between Waste Management NZ and EnviroWaste. Its operation includes the temporary housing of waste prior to transfer to treatment plants or deposits at landfill. Daniels Sharpsmart New Zealand Limited was established on 4 November 2002 to conduct medical waste collection and disposal service. Waste Disposal Services (unincorporated) owns and operates the Whitford landfill and East Tamaki transfer station in Auckland, New Zealand from 1 December 1993. The East Tamaki transfer station is a refuse transfer station based in Auckland that was established as a joint venture between Waste Management NZ and Auckland Council. Its operation includes the temporary housing of waste prior to transfer to treatment plants or deposits at landfill. The Non-Trading Subsidiaries are the companies that have been incorporated in New Zealand for the sole purpose of name protection as their incorporation would prevent the other third parties from incorporating companies with the same or similar names. These entities are representative of the trading names and brands currently and previously operated by Waste Management NZ and currently have no operating activities. Set out below is the shareholding structure of the Target Group as of the date of this Circular.

Structure of the Target Group



Notes:

1. BCG NZ Investment Holding Limited (i.e. the Target Company) was incorporated on 28 March 2014 and is a holding company.

2. Beijing Capital Group NZ Investment Holding Limited (i.e. Beijing NZ) was incorporated on 20 May 2014 and is a holding company.

3. Beijing Capital Waste Management NZ Limited (i.e. BCWMNZ) was incorporated on 5 April 2006 and is a holding company.

4. Waste Management NZ Limited (i.e. Waste Management NZ) was incorporated on 5 April 2006 and provides waste management services across various locations in New Zealand.

5. Tartan Industries Limited was incorporated on 19 September 1995 and is a land ownership company operating in Fairfield, New Zealand without any business operation.

6. The Non-Trading Subsidiaries mainly serve name protection purposes (as this incorporation will prevent other third parties from incorporating companies with the same or similar names) and have no business operations.

2. Financial information of the Target Group

The accountants' report on the Target Group is set out in Appendix III to the Circular. Set out below is a summary of the consolidated statements of profit or loss of the Target Group for the period from 28 March 2014 (being the date of incorporation of the Target Company) to 31 December 2014 and for the year ended 31 December 2015, respectively:

	From 28 March 2014 to 31 December 2014	**For the year ended 31 December 2015**
	NZ$'000	*NZ$'000*
	(Audited)	(Audited)
Revenue	210,506	445,438
Gross profit	65,405	139,127
Profit before tax	40,696	71,531
Profit for the period/year	37,883	61,840

The Target Group's revenue is mainly generated from collections, landfill, recycling and technical services of waste management and others. Revenue of the Target Group amounted to approximately NZ$445.4 million and NZ$210.5 million (annualized: NZ$421.0 million) for the year ended 31 December 2015 and the period from 28 March 2014 to 31 December 2014, respectively, with the overall gross profit margin of approximately 31.1% and 31.2%, respectively, which are quite stable. The revenue for the year ended 31 December 2015 from the foresaid five various segments, namely collections, landfill, recycling, technical services and others, accounted to approximately NZ$278.1 million, NZ$94.1 million, NZ$25.3 million, NZ$46.5 million, and NZ$1.4 million, respectively. The Target Group recorded other income and gains of NZ$7.2 million and NZ$0.4 million (annualized: NZ$0.9 million) for the year ended 31 December 2015 and for the period from 28 March 2014 to 31 December 2014, respectively. The increase in the other income and gains for the year ended 31 December 2015 was mainly due to an increase in the bank interest income and a gain on business acquisition.

The Target Group achieved a profit after tax of NZ$61.8 million and NZ$37.9 million (annualized: NZ$75.8 million) for the year ended 31 December 2015 and for the period from 28 March 2014 to 31 December 2014 and, respectively. The decrease in the profit after tax in 2015 when compared to annualised figure of the relevant period in 2014 was mainly attributable to an increase in the finance costs. Net profit margin for the year ended 31 December 2015 accounted to approximately 13.9%, which is lower than the net profit margin of approximately 18.0% for the period from 28 March 2014 to 31 December 2014, mainly due to increases in interest expenses on loans from NZ$36,609 in 2014 to approximately NZ$17.0 million in 2015. This was due to the Target Group obtained a non-interest bearing loan of NZ$570.0 million from BCG, a wholly-owned subsidiary of Beijing Capital Group with the maturity date of 25 June 2015. The aforementioned loan, however, was then rolled over to 1 June 2018 with an annual interest rate of 5%.

Set out below is a summary of the consolidated statements of financial position of the Target Group as of 31 December 2014 and 2015, respectively:

	As of 31 December 2014	**As of 31 December 2015**
	NZ$'000	*NZ$'000*
	(Audited)	(Audited)
Non-current assets	1,026,284	1,051,788
Current assets	115,426	163,408
Current liabilities	(679,824)	(132,848)
Non-current liabilities	(65,224)	(633,326)
Net-current (liabilities)/assets	(564,398)	30,560
Net assets	396,662	449,022

As at 31 December 2015, non-current assets of the Target Group mainly comprised (a) intangible assets, representing goodwill and other intangible assets, amounted to approximately NZ$685.8 million; and (b) property, plant and equipment of NZ$270.4 million. The overall non-current assets have increased by approximately 2.5% in 2015 when compared to 2014. As at 31 December 2015, current assets of the Target Group mainly comprised (a) cash and cash equivalents of approximately NZ$96.6 million; and (b) trade receivables of approximately NZ$58.0 million.

As at 31 December 2014, current liabilities of the Target Group mainly represented (a) the loan from non-controlling shareholder of approximately NZ$570.0 million and (b) other payables and accruals of approximately NZ$50.3 million. As of 25 June 2015, the loan of NZ$570.0 million became matured and the loan agreement was rolled over to 1 June 2018 with the annual interest rate of 5%. Therefore, the loan of NZ$570.0 million was reclassified from current liabilities in 2014 to non-current liabilities in 2015. Save as the above loan from non-controlling shareholder of NZ$570.0 million, the Target Group had no other borrowings as at 31 December 2015.

Net assets of the Target Group has increased by approximately 13.2% from NZ$396.7 million as at 31 December 2014 to NZ$449.0 million as at 31 December 2015, primarily attributable to the positive profit for the year 2015. As at 31 December 2014, the Target Group recorded a net current liabilities of approximately NZ$564.4 million. As at 31 December 2015, the Target Group recorded a net current assets value of approximately NZ$30.6 million as the aforesaid shareholder's loan from BCG was rolled over and reclassified during the year.

C. THE ACQUISITION

1. Background of the Acquisition

In June 2014, BCG via the Target Company and its wholly-owned subsidiaries, Beijing NZ, acquired 100% issued share capital of Transpacific Industries New Zealand (now known as BCWMNZ), then the largest waste management company in New Zealand as reported by the Wall Street Journal on 3 March 2014, from Cleanaway Waste Management Limited (formerly known as Transpacific Industries Group Ltd.) (ASX: CWY), a company listed on Australian Securities Exchange, for a consideration of approximately NZ$960 million. In order to fund the acquisition of BCWMNZ by the Target Company in June 2014, BCG injected into the Target Company approximately US$822 million (equivalent to approximately NZ$960 million based on the exchange rate of NZ$1.00 to US$0.8563 as at the time of the injection) through (1) approximately US$334 million (approximately NZ$390 million) equity injection and (2) a shareholder's loan of approximately US$488 million (approximately to NZ$570 million) (i.e. the BCG Loan). The Target Company in turn paid New Zealand Dollar denominated funds of approximately US$822 million (equivalent to approximately NZ$960 million) to acquire the entire issued share capital of BCWMNZ.

According to the management of the Company, in order to consolidate the waste management operations among the Beijing Capital Group and to benefit from the operational know-how and expertise from BCWMNZ, pursuant to an agreement dated 4 June 2015, Beijing Capital (HK) acquired 65% of the issued share capital of the Target Company for a consideration of approximately US$293 million (or equivalent to approximately US$451 million for 100% of the issued share capital). Such consideration reflected a premium of approximately 35% over the acquisition price of BCG in June 2014. As discussed with the management of Beijing Capital (HK), the premium they paid have taken into account (i) the strong financial performance and profitability of the Target Group, in particular, the net profit of BCWMNZ Group increased from NZ$29.4 million in the year ended 30 June 2013 to NZ$36.4 million in the year ended 30 June 2014, representing a year-to-year increase of 23.8%; and (ii) the net profit of BCWMNZ Group for the six months ended 31 December 2014 has reached NZ$26.2 million which was almost 71% of the net profit of BCWMNZ Group for the full year ended 30 June 2014. In additional, we have obtained and reviewed a valuation report of the Target Group issued by an independent valuer in May 2015 ("May 2015 Valuation Report"). As shown in the May 2015 Valuation Report which the valuation date based on 31 December 2014, the 65% equity interest of the Target Group was valued at NZ$402.0 million (equivalent to approximately US$303 million based on the exchange rate of NZ$1.00 to US$0.7539 as at the date of the report), which was about 3.4% higher than the consideration of approximately US$293 million.

On 26 November 2015, the Company entered into the Acquisition Agreement with Beijing Capital (HK) and BCG to acquire the Sale Shares, being 51% of the issued share capital of the Target Company, with the Consideration of US$234.4 million (after adjustment) under the Acquisition Agreement. According to the Directors, it was the management decision of Beijing Capital Group that in order to further consolidate and integrate waste management operations and realize potential synergies among the Beijing Capital Group, the Vendors have to dispose of an aggregate of 51% of the issued share capital of the Target Company to the Group, which is the principal subsidiary to under take the waste management business among the Beijing Capital Group. The Consideration of US$234.4 million (after adjustment) for the Acquisition represents a premium of approximately 37.6% and 1.9% over the acquisition prices in June 2014 and June 2015, respectively.

2. Principal terms and Consideration contemplated under the Acquisition Agreement

Date	:	26 November 2015
Purchaser	:	The Company
Vendors	:	(1) Beijing Capital (HK)
		(2) BCG

Both Vendors are connected persons of the Group. Beijing Capital (HK) is a company incorporated with limited liability under the laws of Hong Kong and a controlling shareholder of the Company. BCG is a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary, and therefore an associate of, Beijing Capital Group, which directly and indirectly holds an aggregate of 54.62% of Beijing Capital, the sole shareholder of Beijing Capital (HK).

(i) Conditions precedent of the Acquisition Agreement

Completion of the transactions contemplated under the Acquisition Agreement is conditional upon certain conditions being fulfilled pursuant to the terms of the Acquisition Agreement. Details of the conditions precedent to the completion of the transactions contemplated under the Acquisition Agreement are set out in the paragraph headed "Conditions precedent" in the Letter from the Board of the Circular.

(ii) Consideration

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 51% of the issued share capital of the Target Company as set out below:

Vendor	Percentage of the issued share capital of the Target Company held as at the Latest Practicable Date	Percentage of the issued share capital of the Target Company to be sold to the Company	Consideration (approx. US$ million, after adjustment)	No. of Consideration Shares to be issued to the Vendor (after adjustment)
Beijing Capital (HK)	65%	16%	73.5	1,424,807,805
BCG	35%	35%	160.9	3,116,767,072
Total	100%	51%	234.4	4,541,574,877

According to the Acquisition Agreement, the consideration for the Acquisition is US$230 million, subject to adjustment (if any) based on the valuation on the Target Group as at 31 December 2015 to be conducted by the Independent Valuer to be appointed by the Company, and shall be satisfied by the allotment and issue of the Consideration Shares (subject to adjustment based on the adjustment to the Consideration) at an issue price of HK $0.40 per Consideration Share by the Company to the Vendors, credited as fully paid.

We have reviewed the Business Valuation Report issued by the Independent Valuer which valued the 51% equity interest in the Target Group at NZ$352.0 million as at 31 December 2015 based on the market approach. Accordingly, the Consideration has been adjusted from US$230.0 million to US$234.4 million (equivalent to approximately HK$1,816.6 million) and shall be satisfied by the allotment and issue of 4,541,574,877 Consideration Shares at an issue price of HK$0.40 per Consideration Share by the Company to the Vendors, credited as fully paid. The Consideration Shares represent approximately 46.6% of the issued share capital of the Company as at the Latest Practicable Date and approximately 31.8% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

Basis of the Consideration

As set out in the Letter from the Board, the Directors are of the view that the terms of the Acquisition Agreement are on normal commercial terms, in the ordinary course of business, and in the interests of the Group, the Company and the Shareholders as a whole. The Consideration of US$230 million (before adjustment) for 51% of the issued share capital of the Target Company was equivalent to the pro rata amount of the historical purchase price of US$293 million for the acquisition of 65% of the share capital of the Target Company by Beijing Capital (HK) from BCG pursuant to a share transfer agreement dated 4 June 2015 was determined based on arm's length negotiations and after taking into account (i) the Group's imminent need to acquire the Target Group, (ii) the potential growth of the business of the Target Group, (iii) the historical and current financial performance and future development potential and prospects of the Target Group and (iv) the expected positive and fundamental change to the Group given the asset size, levels of revenue, profit and cash flow, and the local market share of the Target Group.

In addition to above, we have reviewed the May 2015 Valuation Report and therefore confirmed the initial Consideration of US$230 million was in close proximity to the pro rata amount of the historical purchase price of US$293 million for the acquisition of 65% equity interests of the Target Group by Beijing Capital (HK) in June 2015. We also consider that the adjustment mechanism for the Consideration, which based on the Independent Valuation Report issued by APAC taken into account the latest financial performance of the Target Group, is fair and reasonable as far as the Independent Shareholders are concerned.

Consideration Shares

The 4,541,574,877 Consideration Shares, after the adjustment, represent approximately 46.6% of the issued share capital of the Company as at the Latest Practicable Date and approximately 31.8% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

The Consideration Shares when allotted and issued, will rank *pari passu* in all respects among themselves and with all existing Shares then in issue on the date of such allotment and issue, including the right to receive all future dividends and distributions declared, made or paid by the Company on or after the date of the issue of the Consideration Shares.

The Consideration Shares will be issued pursuant to the Specific Mandate to be obtained from the Independent Shareholders at the EGM. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

3. Reasons for and benefits of the Acquisition

Based on our discussion with the Directors, the Board considers that the Acquisition is beneficial to the Group for the following reasons:

(a) the Group has been principally engaged in waste treatment and waste-to-energy business primarily in the PRC. The Acquisition of the Target Group, which operates in the same line of business of the Group in New Zealand, will allow the Group to expand its geographical reach to New Zealand, in which the Group does not currently have a presence yet, and thus broaden its revenue base, effectively elevate its market position and promote its brand in overseas markets;

(b) the Target Group is the largest waste management service provider in New Zealand and possesses a vertically integrated waste service chain as well as sophisticated management and technical expertise. By adopting a similar service chain and system into the Group's domestic operations in the PRC and through the transfer of operational know-how and technical expertise, the Acquisition will help us expand our footprint in the domestic market and consolidate our leadership in the environmental industry;

(c) for the year ended 31 December 2015, the Group's revenue was approximately HK$838.1 million and net profit was approximately HK$32.0 million. The management of the Company has been actively exploring new business and investment opportunities to improve its profitability and to bring reasonable return to its shareholders; and

(d) according to its audited accounts, the Target Group recorded a revenue of approximately NZ$210.5 million and net profits (after tax) of approximately NZ$37.9 million for the period from 28 March 2014 to 31 December 2014, and a revenue of approximately NZ$445.4 million and net profits of approximately NZ$61.8 million for the year ended 31 December 2015. The Directors therefore believe that the Acquisition will substantially enhance the overall financial performance and profitability of the Enlarged Group upon Completion.

In additional, it is expected that the provision of comprehensive waste management solution and environmental infrastructure services in the PRC and in New Zealand will be run in parallel after the completion of the Acquisition and it is currently intended that the Company will continue to retain the existing business in the same scale and has no plan to make any significant change to such its existing business.

In light of the above, given the Target's Group's proven track record of operation, stable revenue generation ability and profitability, healthy financial position and cash flow stream strong, we concur with the Company's view that the Acquisition will substantially enhance the overall financial performance and profitability of the Enlarged Group and therefore is in the interests of the Group and the Shareholders as a whole. We are also of the view that the terms of the Acquisition contemplated under the Acquisition Agreement are on normal commercial terms and in the ordinary course of business of the Group.

D. OTHER FACTORS AND REASONS CONSIDERED FOR THE ACQUISITION

1. Industry overview of the Group and the Target Group

As stated in the Letter from the Board, China is now the second largest economy based on nominal GDP. The growth of the PRC economy is among the world's fastest, with its nominal GDP increasing at a CAGR of 11.7% from RMB40,890.3 billion in 2010 to RMB63,613.9 billion in 2014, according to the National Bureau of Statistics of China.

Consumption waste collected and transported in the PRC amounted to 178.6 million tonnes in 2014 according to the National Bureau of Statistics of China. Increasing income, rapid urbanisation, and population and GDP growth is expected to greatly accelerate municipal waste generation rates in the PRC. The Organisation for Economic Co-operation and Development (OECD) estimated that in 2030, about 60% of the PRC population will be living in urban areas and annual urban municipal waste generation is expected to be at least 485 million tonnes (representing an increase of 214% from 2004).

Revenue for the solid waste recycling industry in the PRC grew at an annualized rate of 25.7% to approximately US$9.7 billion in the five years from 2010 to 2014 according to the IBIS World Industry Report on solid waste recycling in China in February 2015. Development of the industry is primarily driven by economic growth of the PRC, advancement of technology, deterioration of the environment, demand for limited resources, the urbanisation policy and strong government support. The Company believes that the industry will continue to grow driven by urbanisation and a rising emphasis on environment protection and resource reclamation. The Group's large number of different emerging and existing projects across the PRC place it in a strong position to take advantage of this growth.

We have conducted our own research about waste treatment market in China. We noted from the OECD Urban Policy Reviews for China 2015 issued by OECD in April 2015, China's urbanisation is unprecedented in scale and speed. Its urban population has quadrupled in the last 35 years to more than 700 million, due to internal migration and is likely to rise by a further 240 million over the next 35 years, lifting the urbanization rate to around 70%. Rapid urbanisation is also contributing to important environmental problems, such as air quality is extremely poor in many cities, it has also generated stresses with respect to arable land and water supply in some regions. Municipal solid waste will increasingly contribute to consumption of suburban land, and to air and water pollution. Growing purchasing power and the broadening of consumption options in China will intensify the incremental volume of solid waste generated by the additional new urban residents. Based on the solid waste management report issued by the World Bank in 2012 ("What A Waste — A Global Review of Solid Waste Management"), it is noted that China has already surpassed the US as the world's largest waste generator in 2004 and China will likely produce twice as much municipal solid waste as the United States in 2030. According to the above facts finding, we concur with the Company's view on China will continue its rapid pace of urbanisation and development, thus the solid waste markets are projected to increase considerably.

New Zealand has an advanced market economy, highly dependent on international trade. The country is closely link with Australia and China is New Zealand's largest trading partner in merchandise goods ahead of Australia. New Zealand's most developed industries are focused on tourism and exports of agricultural products and are the main source of growth. The GDP in New Zealand has increased at a CAGR of 8.3% from US$145.3 billion in 2010 to US$200.0 billion in 2014, reported by the World Bank Group.

Similarly, the waste management industry in New Zealand has stable future growth potential. It is expected that New Zealand will experience long-term waste volume growth, as the economy and population continues to expand. According to Statistics New Zealand, it is projected that the annual population growth in New Zealand will be in the range of 1.1% to 1.6%. Further, according to the Treasury of the New Zealand government, New Zealand achieved a real GDP growth of 3.2% in the year ended March 2015 and is expected to achieve a real GDP growth of 2.1% and 2.4% in the years ending March 2016 and March 2017, respectively. As a result of the increasing population in New Zealand, a rising volume of waste will in turn create greater opportunities for growth in the waste management industry. The waste management industry possesses stable long term industry growth dynamics. Waste volume and revenue are generally resilient across the economic cycle. Municipal collection contracts are typically awarded through multi-year contracts and emergency responses to natural and man-made disasters contribute significant one-off revenues. We have independently cross checked all the statistical data provided by the management against the official data released by the New Zealand government and find it consistent in general.

We have obtained and reviewed the research report entitled "NZ Waste Market Intelligence" issued by Pacific Strategy Partners Advisory, an independent strategy consulting firm in Australia engaged by Transpacific Industries Group in 2013, the waste management market in New Zealand comprises three broad segments of services: collection of waste, transfer of waste, and the disposal, reuse or recycling of waste. According to Pacific Strategy Partners Advisory, the total waste management market in 2013 was valued to NZ$1.114 billion and is expected to further increase to NZ$1.370 billion at a CAGR of 7.1%. The market largely aligns with New Zealand's three urban centers: Auckland, Wellington and Christchurch. Regional areas of New Zealand account for 42% of the total market value. The New Zealand waste market is relatively mature with some diversion programs for recyclables, green and food waste. We were advised that Pacific Strategy Partners Advisory is a leading Australian Strategy consulting firm with track record in advise and resolve issues of strategy for different organizations.

As stated in the Letter from the Board, the New Zealand waste management industry has a high barrier to entry, including the scarcity of land available for use as landfills, long and onerous regulatory processes, and high up-front capital costs. To the best of our knowledge, there are two key players in the New Zealand waste management industry: the Target Group and the EnviroWaste Group, an operation with a network of national facilities. The Target Group is the market leader in all regions with the EnviroWaste Group as its only national competitor. The Target Group is the largest waste management service provider in New Zealand and possesses a waste service chain, as well as sophisticated management and technical expertise.

Based on the foregoing, we consider that the Acquisition represents a valuable opportunity which enables the Group to rapidly diversify and expand it waste treatment projects by entering into waste treatment business in New Zealand where the Target Group has well established market position. Given the sustainable economic growth and the increasing size of the waste treatment market in both the PRC and New Zealand, we consider that the Group's strategy of global diversification, coupled with the Target Group's prominent presence in New Zealand and the sound historical financial performance, create considerable additional value and return to the Group and Shareholders upon Completion.

Moreover, we also consider that the Acquisition is in line with the existing business of the Group fueled by the additional growth momentum of the Target Group. We believe the Group, through the Acquisition, could acquire modern operational know-how and technical expertise that already established in New Zealand. In this regard we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

For further details of the industry overview of the Group and the Target Group, please refer to the sections headed "INDUSTRY OVERVIEW" in the Letter from the Board of the Circular.

2. Evaluation of the Consideration

(i) Comparable companies analysis

As set out in the Letter from the Board, the Consideration was arrived after arm's length negotiations between the Company and the Vendors, after taking into account of, among others, the historical financial performance and future development potential of the Target Group. For the purpose of assessing the reasonableness and fairness of the Consideration, we have reviewed a number of comparable companies which are principally engaged in waste management and/or environmental protection business.

In considering the implied valuation of the Acquisition, we adopted trading multiple analysis for appraising the comparable companies. To the best of our knowledge, for appraising a listed and profit-making company, price to earnings ratio ("P/E Ratio"), enterprise value to earnings before interest and tax ("EV/EBIT Ratio") and enterprise value to earnings before interest, tax, depreciation and amortization ("EV/EBITDA Ratio") are the most commonly adopted trading multiples. According to the audited financial for the year ended 31 December 2015 of the Target Group, net profit after tax, EBIT and EBITDA which attributable for the 51% of the issued share capital of the Target Group accounted of NZ$31.5 million, NZ$45.6 million and NZ$69.7 million, respectively. As disclosed in the Business Valuation Report of the Target Group as set out in Appendix VI to the Circular, the estimated enterprise value for 51% equity interest of the Target Group was about NZ$660.1 million as at 31 December 2015. As such, based on the Consideration (after adjustment) of US$234.4 million (or equivalent to HK$1,816.6 million), the Acquisition has the implied P/E Ratio, implied EV/EBIT Ratio and implied EV/EBITDA Ratio of approximately 10.9 times, 14.5 times and 9.5 times, respectively.

We have identified an exhaustive list of seven comparable companies listed in Hong Kong (the "Hong Kong Comparable Companies") for comparison purpose, based on the following criteria: principally engaged in waste management, waste treatment and/or environmental protection business. We consider the Hong Kong Comparable Companies an exhaustive list of relevant comparable companies based on the said criteria above and are fair and representative samples. We understand that the Hong Kong Comparable Companies are not operating in the same market and/or location as to the Target Group, however we also consider that the analysis of the Hong Kong Comparable Companies is relevant as it would allow the Independent Shareholders to appraise the Consideration of the Acquisition is fair and reasonable, on a relative basis, against the valuation of these comparable companies in Hong Kong equity market which engaged in the similar business and/or operations with the Target Group. While two out of the seven Hong Kong Comparable Companies identified were making losses for the latest financial year which therefore reported negative EBIT and EBITDA figures, namely Green Energy Group Ltd and China Environmental Energy Investment

Ltd, thus P/E Ratio, EV/EBIT ratio and EV/EBITDA Ratio were not applicable to them. We, therefore, have summarized the details of the remaining five Hong Kong Comparable Companies as selected above in the following table:

Company	Stock code	Operating market/ Location	Market capitalization on as at the Latest Practicable Day *(note i)*	Stock price as at the Latest Practicable Day *(note ii)*	Latest audited earnings per share *(note iii)*	Implied P/E Ratio *(note iv)*	Implied EV/ EBIT ratio *(note vi)*	Implied EV/ EBITDA ratio *(note vii)*
Baguio Green Group Ltd	1397	PRC and Hong Kong	HK$356.9 million	HK$0.86	HK$0.06	14.3x	12.7x	7.6x
Dynagreen Environmental Protection Group Co Ltd	1330	PRC	HK$3,668.0 million	HK$3.51	HK$0.26	13.4x	12.5x	10.7x
Dongjiang Environmental Co Ltd	895	PRC	HK$16,291.7 million	HK$12.68	HK$0.47	27.2x	39.8x	25.2x
New Universe International Group Ltd	8068	PRC	HK$1,655.2 million	HK$0.56	HK$0.02	36.6x	23.7x	15.8x
Yunnan Water Investment Co Ltd	6839	PRC	HK$5,369.5 million	HK$4.50	HK$0.32	14.0x	17.3x	23.7x
					Mean	21.1x	21.2x	16.6x
					Maximum	36.6x	39.8x	25.2x
					Minimum	13.4x	12.5x	7.6x
The Target Group			HK$1,816.6 million (As implied by the Consideration)			10.9x *(note v)*	14.5x	9.5x

Source: Bloomberg and Website of The Stock Exchange of Hong Kong Limited

Notes:

(i) & (ii) The market capitalization and stock price of each of the Hong Kong Comparable Companies are extracted from Bloomberg as at the Latest Practicable Day.

(iii) The latest audited earnings per share of each of the Hong Kong Comparable Companies are extracted from the respective latest published annual reports, if applicable.

(iv) The implied P/E ratio is calculated by diving the respective stock price as at the Latest Practicable Day to the latest audited earnings per share.

(v) The implied P/E ratio of the Target Group is calculated by dividing the Consideration to the audited profit which attributable for 51% equity value of the Target Group for the year ended 31 December 2015.

(vi) & (vii) Implied EV/EBIT Ratio and implied EV/EBITDA Ratio are calculated by dividing the EV as at the Latest Practicable Date extracted from Bloomberg to the latest fiscal year EBIT and EBITDA respectively.

Based on the analysis of the Hong Kong Comparable Companies, set out in the table above, we noted that the implied P/E Ratio, EV/EBIT Ratio and EV/EBITDA Ratio for the Hong Kong Comparable Companies represent a mean of 21.1 times, 21.2 times and 16.6 times, respectively. Given the implied P/E Ratio, EV/EBIT Ratio and EV/EBITDA Ratio of the Target Group are 10.9 times, 14.5 times and 9.5 times, respectively, which are all close to the low-end of the acceptable range and below the corresponding means of the Hong Kong Comparable Companies as show in the table above. As such, we considered the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

On the other hand, we have also identified another exhaustive list of five comparable companies, listed on the stock exchanges in Australia and/or New Zealand (the "Overseas Comparable Companies"), based on the following criteria: (i) majority of their business revenues are geographically generated from Australia and/or New Zealand market; and (ii) principally engaged in waste management, waste treatment and/or environmental protection business. While two out of the five Overseas Comparable Companies identified were making losses for the latest financial year, namely Anaeco Ltd and Cleanaway Waste Management Ltd and thus the P/E Ratio does not apply to them. We also noted that Anaeco Ltd was having a negative EBIT and EBITDA according to its latest audited report, EV/EBIT Ratio and EV/EBITDA Ratio are therefore not applicable as well. We, therefore, have summarized the details of the remaining four Overseas Comparable Companies as selected above in the following table:

Company Name	Exchange	Stock code	Business Location	Market capitalization as at the Latest Practicable Day *(note i)*	Stock price as at the Latest Practicable Day *(note ii)*	Latest audited earnings per share *(note iii)*	Implied P/E Ratio *(note iv)*	Implied EV/ EBIT ratio *(note vi)*	Implied EV/ EBITDA ratio *(note vii)*
Pacific Environment Limited	ASE	PEH	Australia	AUD15.7 million	AUD0.086	AUD0.013	6.9x	10.6x	7.4x
The Environmental Group Limited	ASE	EGL	Australia	AUD4.8 million	AUD0.022	AUD0.002	12.5x	23.1x	17.9x
Tox Free Solutions Limited	ASE	TOX	Australia	AUD398.7 million	AUD2.770	AUD0.163	17.0x	12.0x	6.5x
Cleanaway Waste Management Ltd	ASE	CWY	Australia	AUD1,277.0 million	AUD0.805	AUD(0.020)	N/A	N/A	12.4x
						Mean	12.1x	15.2x	11.0x
						Maximum	17.0x	23.1x	17.9x
						Minimum	6.9x	10.6x	6.5x
The Target Group				HK$1,816.6 million (As implied by the Consideration)			10.9x *(note v)*	14.5x	9.5x

Source: Bloomberg

Notes:

(i) & (ii) The market capitalization and stock price of each of the Overseas Comparable Companies are extracted from Bloomberg as at the Latest Practicable Day.

(iii) The latest audited earnings per share of each of the Overseas Comparable Companies are extracted from Bloomberg if applicable.

(iv) The implied P/E ratio is calculated by diving the respective stock price to the latest audited earnings per share.

(v) The implied P/E ratio of the Target Group is calculated by dividing the Consideration to the audited profit which attributable for 51% equity value of the Target Group for the year ended 31 December 2015.

(vi) & (vii) Implied EV/EBIT Ratio and implied EV/EBITDA Ratio are calculated by dividing the EV as at the Latest Practicable Date extracted from Bloomberg to the latest fiscal year EBIT and EBITDA respectively.

Based on the analysis of the Overseas Comparable Companies, set out in the table above, we note that the implied P/E Ratio EV/EBIT Ratio and EV/EBITDA Ratio for the Overseas Comparable Companies represent a mean of approximately 12.1 times, 15.2 times and 11.0 times, respectively. Given the implied P/E Ratio, EV/EBIT Ratio and EV/EBITDA Ratio of the Target Group are 10.9 times, 14.5 times and 9.5 times, respectively, which are all within the acceptable range and below the corresponding means of the Overseas Comparable Companies as show in the table above. As such, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Review of the independent valuation report

In assessing the fairness and reasonableness of the Consideration, we have also considered and reviewed, among others, the Business Valuation Report of the Target Group as set out in Appendix VI to the Circular and discussed with the APAC regarding the methodology of and the principal bases and assumptions adopted for the business valuation of the Target Group. We have assessed the qualification and experience of the responsible officer of APAC for its engagement as the independent professional valuer of the Target Group. We noted that the responsible officer of APAC has over 10 years of experience in business valuation in Hong Kong and the PRC. The Independent Valuer also confirmed that it is independent from the Group and the Target Group and all relevant material information provided by the Group and the Target Group had been incorporated in the Business Valuation Report and there were no other material relevant information or representations provided or made by the Group and the Target Group to APAC not having been included in the Business Valuation Report. We also understand from the Independent Valuer that it has carried out on-site inspections and made relevant enquiries and searches for the purpose of the valuation and no irregularities were noted during the course of the valuation. In addition, we reviewed the terms of the APAC's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Business Valuation Report.

We noted that APAC have relied on the market approach in the Business Valuation Report and it's valuation procedures employed an assessment of key assumptions and estimates, including but not limited to:

(i) background of the Target Group and relevant corporate information;

(ii) historical financial information of the Target Group;

(iii) bloomberg database and other sources of market data;

(iv) the business risk of the Target Group;

(v) relevant licenses and agreements; and

(vi) the economic outlook in general and the specific economic environment and market elements affecting the business, industry and market.

We also noted that APAC has considered various commonly used valuation multiples, including (i) price to earnings ("P/E"); (ii) price to sales ("P/S"); (iii) price to net book value; (iv) enterprise value to earnings before interest and tax ("EV/EBIT") and (v) enterprise value to earnings before interest, tax depreciation and amortization ("EV/EBITDA"). APAC considered that EV/EBIT and EV/EBITDA multiples are the more appropriate in the valuation and therefore have been adopted. Further details of the valuation of the Target Group are contained in the Business Valuation Report set out in Appendix VI the Circular. After considering the reasons for adopting the above valuation methodologies for valuing the Target Group by APAC, we are of the opinion that the valuation methodologies and the basis and assumptions used are reasonable and acceptable in establishing the market values of the Target Group.

Based on our review and analysis of the Business Valuation Report and our discussion with APAC, we understand that the valuation approaches adopted by APAC are common valuation methodologies and the basis and assumptions applied APAC for the valuation are fair and reasonable. As stated in the Business Valuation Report the entire Target Group was valued at US$470.9 million (51% equity interest pro rata valuation at US$240.4 million), the Consideration of US$234.4 million (after adjustment) therefore represents a discount of approximately 2.5% to the adjusted valuation.

(iii) Issue price of the Consideration Shares

The Consideration, after the adjustment, shall be satisfied by the allotment and issue of a total of 4,541,574,877 Consideration Shares at an issue price of HK$0.40 per Consideration Share (the "Issue Price") by the Company to the Vendors, credited as fully paid. The Consideration Shares, before the adjustment, will represent approximately 46.6% of the issued share capital of the Company as at the Latest Practicable Date and approximately 31.8% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares. The issue price of HK$0.40 per Consideration Share represents:

(i) a discount of approximately 9.09% to the closing price of the Shares of HK$0.440 as quoted on the Stock Exchange on the Relevant Trading Day;

(ii) a discount of approximately 2.91% to the average closing price of the Shares of HK$0.412 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Relevant Trading Day;

(iii) a discount of approximately 1.96% to the average closing price of the Shares of HK$0.408 as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Relevant Trading Day;

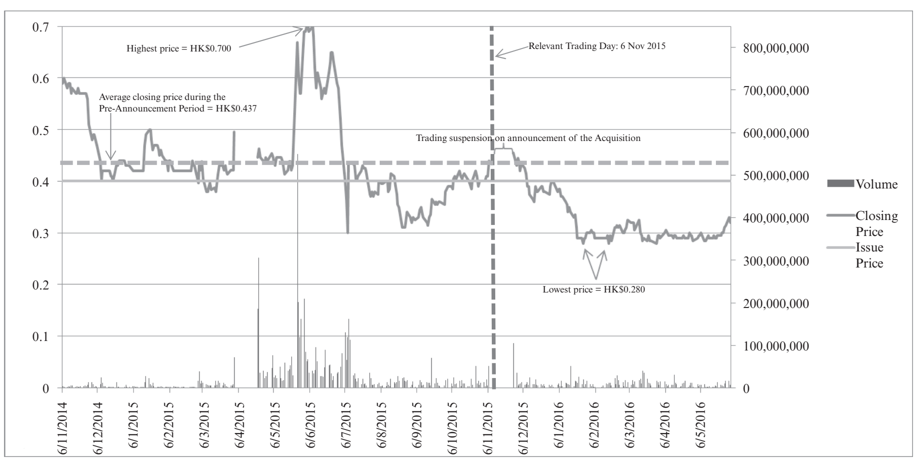
(iv) a premium of approximately 50.38% to latest published net asset value per share of HK$0.266; and

(v) a premium of approximately 25.00% to the closing price of HK$0.320 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As advised by the Company, the issue price of HK$0.40 per Consideration Share was determined after arm's length negotiations between the Vendors and the Company with reference to the average closing price of the Shares for the last 10 trading days up to and including the Relevant Trading Day and the prevailing market practice. We are of the view that the Consideration and the discount in the issue price of the Consideration Shares with the historical market price of the Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For the purpose of assessing of the fairness and reasonableness of the issue price of the Consideration Shares, the following share price and trading volume analyses are further taken into:

Capital Environment Holding Ltd. (SEHK: 3989)
Share Price & Trading Volume



Source: Website of The Stock Exchange of Hong Kong Limited

We have looked at the Share price movement in the past one year preceding the date of the announcement of the Company dated 26 November 2015 in relation to the Acquisition Agreement and transactions contemplated thereunder (the "Pre-Announcement Period"). As shown in the chart above, the Shares closed between HK$0.280 and HK$0.700 during the period from 27 November 2014 up to and including the Latest Practicable Date. The Share price recorded at the highest level of HK$0.700 on 3 June 2015, 4 June 2015 and 8 June 2015. The share price has been maintained at a price level above HK$0.400 for most of the time during 2015 and the average closing price during the Pre-Announcement Period is HK$0.437.

After the publication of the Announcement, the closing price of Shares increased slightly from HK$0.440 on 6 November 2015 (the date of the Relevant Trading Day) to HK$0.455 on 27 November 2015 (the first trading day after the publication of the Announcement), representing an increase of approximately 3.4% to the closing price on the trading day before the publication of the Announcement.

(iii) Analysis of comparable transactions with the issuance of consideration shares

In order to assess the fairness and reasonableness of the issue price of the Consideration Shares, we have conducted a research on all listed companies on the main Board of the Hong Kong Stock Exchange from 1 May 2015 up to and including the Latest Practicable Date in relation to very substantial acquisitions and involved in issuing of consideration shares as entire or part of the consideration (the "CS Comparables"). The purpose of this analysis is to compare the Issue Price of the Consideration Shares with those of the CS Comparables for about six months before the Company entered into the Acquisition Agreement and up to the Latest Practicable Date, in order for the Independent Shareholders to consider fairness and reasonableness of the Issue Price. We consider the CS Comparables are appropriate although the business, operation and prospects of the Group are not the same as the CS Comparables and we have not conducted any in-depth investigation into the business and operation of the issuers of the CS Comparables. Based on our research conducted according to the abovementioned criteria, we have identified a list of 10 CS Comparables as follows and we consider that the CS Comparables is an exhaustive list under the above criteria for comparison purpose:

Date of announcement	Stock code	Company	Issue price (*HK$*)	Closing price prior to the corresponding announcement (*HK$*)	Latest published net asset/ (liability) per share to the corresponding announcement (*HK$*)	Premium/(discount) of the issue price of over/(to) Closing price prior to corresponding announcement	Respective latest published net asset/ (liability) per share
15/5/2015	764	Eternity Investment Limited	0.7000	0.7300	4.10	(4.1)%	(82.9)%
9/6/2015	1387	Renhe Commercial Holdings Company Limited	0.4100	0.8200	1.11	(50.0)%	(63.2)%
17/6/2015	95	LVGEM (China) Real Estate	2.0600	3.0300	0.71	(32.0)%	190.1%
3/7/2015	989	Ground Properties Company Limited	0.8500	1.3100	0.85	(35.1)%	0.2%
27/10/2015	627	U-RIGHT International Holdings Limited	0.2200	0.7400	0.11	(70.3)%	101.5%
15/12/2015	2379	Zhongtian International Limited	1.3500	1.2500	0.554	8.0%	143.7%
11/1/2016	1236	National Agricultural Holdings Limited	3.2510	3.0100	1.23	8.0%	165.1%
15/1/2016	307	Up Energy Development Group Limited	0.7500	0.4450	2.28	68.5%	(67.2)%
29/2/2016	865	First Mobile Group Holdings Limited	0.2000	1.6800	(10.27)	(88.1)%	N/A
24/3/2016	564	Zhengzhou Coal Mining Machinery Group Company Limited	6.4100	3.4100	7.08	88.0%	(9.5)%
				Mean		(10.7)%	42.0%
				Median		(18.1)%	0.2%
				Maximum		88.0%	190.1%
				Minimum		(88.1)%	(82.9)%
		The Company	0.4000	0.4400	0.27	(9.09)%	50.4

Source: Website of The Stock Exchange of Hong Kong Limited

Based on the above, we noted that the issue prices of the CS Comparables to their respective closing price prior to the corresponding announcements ranged from a discount of approximately 88.1% to a premium of approximately 88.0% with the mean and median at a discount of approximately 10.7% and 18.1% respectively. Upon comparison, the Issue Price represents a discount of approximately 9.09% to the closing price on the Relevant Trading Day which is within the range of the CS Comparables. Meanwhile, we noted that the Issue Price represents a premium of approximately 50.4% to the net asset value per Share which is lower than the highest ratio of the CS Comparables which is approximately 190.1%. In such regard, we are of the view that the Issue Price is acceptable.

3. Financial effects of the Acquisition

3.1 Earnings

As shown in the unaudited pro forma consolidated statement of profit or loss of the Enlarged Group set out in Appendix V to the Circular, the pro forma profit or loss for the year of the Enlarged Group attributable to equity holders of the Company for the year ended 31 December 2015, as if the Acquisition had been completed on 1 January 2015, would have been a gain of HK$176.4 million.

3.2 Net assets

As set out in the unaudited pro forma consolidated statement of financial position of the Enlarged Group in Appendix V to the Circular, it is expected that net assets attributable to owners of the Enlarged Group will increase from approximately HK$2,599.0 million to approximately HK$3,792.8 million mainly due to the inclusion of the Target Group net assets into the financial position of the Enlarged Group's accounts.

3.3 Gearing

As of 31 December 2015, the gearing ratio of the Group was approximately 33% as reported in the annual report of the Group for the year ended 31 December 2015. According to Appendix V to the Circular, the total pro forma net debt of the Enlarged Group will increase to approximately HK$2,970.8 million and the pro forma adjusted capital plus net debt of the Enlarged Group will increase to approximately HK$6,763.6 million. Hence, the pro forma gearing ratio represented by net debt dividend by the adjusted capital plus net debt of the Enlarged Group will increase to approximately 44% following the Acquisition. Considering the substantial increase in the profitability of the Enlarged Group upon Completion as abovementioned, we are of the view that the increase of gearing ratio is acceptable.

3.4 Cashflow

The Acquisition will be fully satisfied by the Consideration Shares and hence there will be no material negative impact on the cashflow of the Group in this regard. The pro forma combined cash and bank balances of the Enlarged Group will increased from approximately HK$1,201.4 million to approximately HK$1,694.4 million after consolidated with that of the Target Group as set out in the Appendix V to the Circular.

Based on the foregoing, we are of the view that the financial effects of the Acquisition are favorable to the Group and accordingly we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

4. Commercial loan from the Shareholder

On 19 June 2014 and according to revisions made to the terms of the loan on 11 June 2015, the Target Company as borrower and BCG, a wholly-owned subsidiary of Beijing Capital Group and hence a connected person of the Group under Rule 14A.07 of the Listing Rules, as lender entered into the BCG Loan of NZ$570 million for three years and with an annual interest rate of 5.0%. The interest rate was determined after arm's length negotiation between the borrower and the lender taking into consideration the then market conditions and cost of funding. Although the China prime lending rate for mid-term loans has been adjusted to 4.75% per annum, as advised by the management, the Company has approached several commercial banks and financial institutions in Hong Kong and China with intentions to grant new loans or facilities to the Group, the annual interest rate they offered were all higher 5%. The Directors are of the view that the Group may need more time and resources to seek new funding and with a better terms in order to replace the current BCG Loan, which has no guarantee of success, or at all.

Nevertheless, as stated in the Letter from Board, the BCG Loan upon Completion will constitute financial assistance from a Connected Person under Chapter 14A of the Listing Rules which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules. In view of no immediate available of new loans to replace the existing GCG Loan with a cheaper annual interest rate and that the BCG Loan is not secured by any assets of the Enlarged Group, we consider the Commercial Loan from Shareholder is acceptable.

5. Risk factors

Although we consider the Acquisition would bring benefits to the Company as mentioned in the paragraph headed "Reasons for the Acquisition" above, we wish to draw the Shareholders' attention to the inherited risks of the Acquisition which are set out in the section headed "Risk Factors" in the circular, in particular, the risks in relation to the Reorganized Target Group's business and industry being *(i) Business of the Target Group is subject to certain environmental regulations; (ii) The Target Group may not successfully maintain its market share due to competition and (iii) The operations of the Target Group depend on its key personnel and its failure to attract and retain the same may affect its performance*. We are of the view that the Target Group's operations are subject to extensive laws and regulations in New Zealand and there has been a general increase in community awareness of environmental issues and consequentially, therefore a higher standard is expected of waste management operations. The Target Group is subject to all the hazards, risks and potential liabilities present in the waste management industry. Companies operating local landfills in New Zealand require licenses which impose stringent conditions aimed at protecting the environment. Non-compliance or breach of license conditions may lead to severe penalties and/or the revocation of a license. Further, the Target Group's operations are subject to extensive planning laws and regulations. The costs of compliance as well any potential costs involved in non-compliance therefore impose greater future liabilities onto the Target Group.

While the Target Group is the largest player in the waste management market of New Zealand, there are a number of entities which compete with the Target Group in the solid, liquid and hazardous waste industries and industrial solutions industries. The market share of the Target Group is contingent on a number of factors such as securing major new contracts (including local council contracts) or developing new technologies and adopting competitive pricing strategies designed to increase market share. If the Target Group is unable to maintain its market shares, its financial performance will be negatively impacted.

The Target Group's operations are dependent on the staff it employs, particularly the continued performance, efforts, abilities and expertise of its key management personnel. Inability to attract and retain such personnel could have an adverse effect on the operations of the Target Group as it may not be able to recruit suitable replacements for key personnel within a short timeframe.

We also wish to remind the Independent Shareholders that the consideration of the Acquisition will be settled by way of issuance of the Consideration Shares which would result in a significant dilution where the shareholding of public Shareholders shall be diluted from approximately 48.49% to approximately 33.09% upon issuance of 4,541,574,877 Consideration Shares.

Nevertheless, although we are unable to quantify the impact from the above considerations, we consider that the potential benefits and merits of the Acquisition to be brought to the Group and the terms of the Acquisition would be able to outweigh the potential negative impacts arising from the above considerations.

RECOMMENDATIONS

In making our recommendations we considered the following principal matters:

(i) the Acquisition is in line with the Company's stated intentions to expand its geographical reach to New Zealand, in which the Group does not currently have a presence, and thus broaden its revenue base, effectively elevate its market position and promote its brand in overseas markets;

(ii) the Consideration for the Acquisition of the Group Target is at a discount to the equity interests valued by the Independent Valuer;

(iii) the implied P/E Ratio, EV/EBIT Ratio and EV/EBITDA Ratio of the Target Group are lower than the corresponding means of the Hong Kong and Overseas Comparable Companies;

(iv) the Issue Price is fair and reasonable and within the reasonable range when compared with the CS Comparables;

(v) the Acquisition will substantially enhance the overall financial performance and profitability of the Enlarged Group upon Completion;

(vi) all of the considerations will take the form of the Considerations Shares to lessen the cash requirement of the Acquisition and preserve the existing resources of the Group; and

(vii) the potential benefits and merits of the Acquisition to be brought to the Group and the terms of the Acquisition would be able to outweigh the potential negative impacts arising from the above considerations.

In view of the above, we are of the view that the Acquisition is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise, and we also recommend, the Independent Shareholders to vote in favor of the resolutions to be proposed at the forthcoming EGM to approve the Acquisition Agreement.

Yours faithfully,
For and on behalf of
China Galaxy International Securities (Hong Kong) Co., Limited
Steven Chiu
Managing Director
Investment Banking

Note: Mr. Steven Chiu is a responsible officer of China Galaxy International Securities (Hong Kong) Co., Limited registered with the SFC to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in securities industry.

A. SUMMARY OF FINANCIAL RESULTS

Financial information of the Group for each of the years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cehl.com.hk):

- annual report of the Company for the year ended 31 December 2013 published on 31 March 2014 (pages 31–120);
- annual report of the Company for the year ended 31 December 2014 published on 24 April 2015 (pages 32–124); and
- annual report of the Company for the year ended 31 December 2015 published on 25 April 2016 (pages 31–126).

B. INDEBTEDNESS STATEMENT

As at 30 April 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Circular, the details of the Group's outstanding borrowings and contingent liabilities in respect of guarantees were set out as follows:

	HK$'000
Bank borrowings — secured and guaranteed	95,488
Bank borrowings — secured and unguaranteed	174,265
Bank borrowings — unsecured and guaranteed	804,714

As at 30 April 2016, the Group's bank borrowings of (i) approximately HK$95,488,000 was secured by the service concession contract that gives right to the Group to operate the waste treatment project; (ii) approximately HK$38,195,000 was secured by certain land use rights; and (iii) approximately HK$136,070,000 was secured by the income deriving from service concession contract that gives right to the Group to receive waste treatment fee and electricity tariff in Huizhou.

As at 30 April 2016, contingent liabilities in respect of guarantees provided to banks in respect of banking facilities granted to an associate amounted to RMB24,104,000 (approximately HK$28,770,000).

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at 30 April 2016, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, in the absence of unforeseen circumstances and after taking into account of the cash flow impact upon the expected completion of the Acquisition, the cash flow generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds, existing banking and other financing facilities, the Enlarged Group has sufficient working capital for its business for at least the next twelve months from the date of this circular.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group. The following discussions and analyses relate to the results of operations and financial condition of the Target Group and BCWMNZ Group for the financial periods as set out in Appendices III and IV to this circular, respectively. You should read the following discussions and analyses in conjunction with both of the combined financial information of the Target Group and BCWMNZ Group and the accompanying notes set out in the Accountants' Reports of the Target Group and BCWMNZ Group set out in Appendices III and IV to this circular, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The Target Company was incorporated on 28 March 2014 and became the holding company of BCWMNZ Group on 30 June 2014. During the period from 28 March 2014 to 31 December 2015, the Target Company and its direct wholly-owned subsidiary, Beijing NZ, the direct holding company of BCWMNZ served solely as holding companies without any business operations. The Target Group operated its business through BCWMNZ Group. For a more detailed discussion of the Target Group's performance during the period from 28 March 2014 to 31 December 2015, please refer to the section headed "Management's Discussion and Analysis of BCWMNZ Group" below.

Set out below is the management discussion and analysis of the Target Group for (i) the period from 28 March 2014 to 31 December 2014 and (ii) the year ended 31 December 2015. Due to the shortened length of the period from 28 March 2014 to 31 December 2014, certain financial figures for that period have been annualized for comparison purposes and are for reference only below. The figures are annualized on the basis that the financial period from 28 March 2014 to 31 December 2014 started on 1 July 2014 since the Target Group did not record any revenue during the period from 28 March 2014 to 30 June 2014. Such methodology of annualization is adopted as the Target Group's financial performance is not subject to seasonal factors.

Overview

As at 31 December 2014

The Target Group's non-current assets and current assets as at 31 December 2014 were approximately NZ$1,026,284,000 and NZ$115,426,000, respectively. The Target Group's non-current assets as at 31 December 2014 mainly comprised property, plant and equipment, goodwill and other intangible assets.

The Target Group's non-current liabilities and current liabilities as at 31 December 2014 were approximately NZ$65,224,000 and NZ$679,824,000, respectively. The Target Group's non-current liabilities as at 31 December 2014 comprised deferred tax liabilities and provisions made for the future costs of closing the Target Group's landfills at the end of their economic or consented lives and for the associated post-closure costs.

Please refer to the paragraph headed "Liquidity, financial position and capital structure" below for further discussions on the Target Group's current assets and current liabilities as at 31 December 2014.

As at 31 December 2015

The Target Group's non-current assets and current assets as at 31 December 2015 were approximately NZ$1,051,788,000 and NZ$163,408,000, respectively. The Target Group's non-current assets as at 31 December 2015 mainly comprised property, plant and equipment, goodwill and other intangible assets. The Target Group's non-current assets remained largely stable when compared to that as at 31 December 2014.

The Target Group's non-current liabilities and current liabilities as at 31 December 2015 were approximately NZ$633,326,000 and NZ$132,848,000, respectively. The Target Group's non-current liabilities as at 31 December 2015 comprised the shareholder's loan from the Target Company's shareholder, BCG Chinastar International Limited ("BCG Chinastar"), deferred tax liabilities and provisions made for the future costs of closing the Target Group's landfills at the end of their economic or consented lives and for the associated post-closure costs. The increase in the non-current liabilities when compared to that as at 31 December 2014 was mainly due to the fact that the shareholder's loan from BCG Chinastar which was due within one year as at 31 December 2014 was rolled over to 1 June 2018 during the year ended 31 December 2015.

Please refer to the paragraph headed "Liquidity, financial position and capital structure" below for further discussions on the Target Group's current assets and current liabilities as at 31 December 2015.

Liquidity, financial position and capital structure

The Target Group's revenue is generated from the operating activities of BCWMNZ's subsidiaries.

The period from 28 March 2014 to 31 December 2014

As at 31 December 2014, the Target Group's cash and cash equivalents were approximately NZ$56,045,000. The cash and cash equivalents were primarily held in NZ$. During the period, the Target Group recorded a positive cash flow of approximately NZ$56,045,000, which was mainly attributable to the net cash flows from operating activities. The Target Group recorded a net cash flow from financing activities of NZ$900,000,000 which was offset by the net cash flow used in the acquisition of BCWMNZ Group.

As at 31 December 2014, the Target Group recorded a negative net current assets value of approximately NZ$564,398,000. The current assets of the Target Group as at 31 December 2014 mainly comprised cash and cash equivalents and trade receivables (most of which were due within one month). The current liabilities of the Target Group as at 31 December 2014 mainly comprised a loan of NZ$570,000,000 from its shareholder, BCG Chinastar. The negative net current assets value was due to the aforesaid shareholder's loan from BCG Chinastar which was not interest bearing and had a maturity date of 25 June 2015. The gearing ratio, represented by net debt divided by the adjusted capital plus net debt, was 59.87% as at 31 December 2014.

The year ended 31 December 2015

As at 31 December 2015, the Target Group's cash and cash equivalents were approximately NZ$96,600,000. The cash and cash equivalents were primarily held in NZ$. During the period, the Target Group recorded a positive net cash flow of approximately NZ$96,600,000, which was mainly attributable to the net cash flows from operating activities, and was partially offset by the net cash flows used in investing activities and financing activities. In particular, the Target Group used cash of approximately NZ$49,358,000 for the purchases of items of property, plant and equipment.

As at 31 December 2015, the Target Group recorded a positive net current assets value of approximately NZ$30,559,000 as the aforementioned shareholder's loan from BCG Chinastar was rolled over to 1 June 2018 with an annual interest rate of 5.0% during that year. The current assets of the Target Group as at 31 December 2015 mainly comprised cash and cash equivalents and trade receivables (most of which were due within one month). The current liabilities mainly comprised other payables and accruals.

Other than the aforesaid shareholder's loan from BCG Chinastar, the Target Group did not have any other interest bearing loan as at 31 December 2015. The gearing ratio, represented by net debt divided by the adjusted capital plus net debt was approximately 56.16% as at 31 December 2015.

Treasury policies

The Target Group has adopted prudent financial and treasury policies over the years with an objective of providing sufficient control on the treasury and funding activities and to improve the overall funding efficiency. The Target Group uses derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign currency rates and movements in electricity prices. The Target Group uses forward exchange contracts to hedge its exposures to US$ for at least 80% of its overseas recycling sales, which are denominated in US$ and account for approximately two months of recycling sales or 0.5% of the total revenue of the Target Group. The Target Group uses contracts for difference to hedge up to 75% of its electricity production. Target Group's function currency is principally NZ$ and the Target Group therefore does not have material exposure to foreign exchange risks.

Revenue

The Target Group's revenue is mainly generated from collections, landfill, recycling and technical services of waste management. The Target Group recorded revenue of approximately NZ$210,506,000 (annualized: NZ$421,012,000) and NZ$445,438,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The revenue remained largely stable in the year ended 31 December 2015 when compared to the relevant period in 2014.

Collections

The Target Group's revenue generated from collections, which usually accounted for more than a half of the Target Group's revenue, was approximately NZ$132,038,000 (annualized: NZ$264,076,000) and NZ$278,140,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The growth in the revenue derived from collections for the year ended 31 December 2015 when compared to that for the relevant period in 2014 was mainly driven by the growth in the market demand due to a growing economy, additional customers and contracts secured and price increases.

Landfill

The Target Group's revenue generated from landfills was approximately NZ$45,753,000 (annualized: NZ$91,506,000) and NZ$94,130,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The revenue generated from landfills remained largely stable in the year ended 31 December 2015 when compared to the relevant period in 2014.

Recycling

The Target Group's revenue generated from recycling was approximately NZ$12,405,000 (annualized: NZ$24,810,000) and NZ$25,313,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The revenue generated from recycling remained largely stable in the year ended 31 December 2015 when compared to the relevant period in 2014.

Technical services of waste management

The Target Group's revenue generated from technical services of waste management was approximately NZ$19,077,000 (annualized: NZ$38,154,000) and NZ$46,463,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The growth in the revenue generated from technical services of waste management for the year ended 31 December 2015 when compared to that for the relevant period in 2014 was mainly due to the full acquisition of Living Earth Limited in April 2015 (previously 50% owned as a joint venture and equity accounted for), a series of one-off project works and price increases.

Cost of sales

The Target Group's cost of sales represented costs of raw materials and inventory, waste collection and disposal costs, staff costs, equipment hire costs, costs of repair and maintenance, fuel costs, depreciation, freight, insurance costs, leasing expenses and travel costs. The Target Group incurred cost of sales of approximately NZ$145,102,000 (annualized: NZ$290,204,000) and NZ$306,310,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The cost of sales remained largely stable in the year ended 31 December 2015 when compared to the relevant period in 2014. There is no particular aspect of the cost of sales which experienced a significant fluctuation in the year ended 31 December 2015 when compared to the period from 28 March 2014 to 31 December 2014.

Gross profit

The Target Group recorded gross profit of approximately NZ$65,405,000 (annualized: NZ$130,810,000) and NZ$139,127,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The gross profit remained largely stable in the year ended 31 December 2015 when compared to the relevant period in 2014.

Other income and gains

The Target Group's other income and gains comprises bank interest income, gain on foreign exchange, gain on disposal of items of property plant and equipment, gain on step acquisition and other gains. The Target Group recorded other income and gains of approximately NZ$429,000 (annualized: NZ$858,000) and NZ$7,240,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The increase in the other income and gains for the year ended 31 December 2015 was mainly due to an increase in the bank interest income and a gain on step acquisition.

Administrative expenses

The Target Group's administrative expenses represented staff costs, operating rental expense, costs of repair and maintenance, travel costs, insurance costs, communication costs, fuel costs, leasing expenses, depreciation and amortization costs. The Target Group incurred administrative expenses of approximately NZ$33,199,000 (annualized: NZ$66,398,000) and NZ$68,509,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The administrative expenses remained largely stable in year 2015 when compared to the relevant period in 2014. There is no particular aspect of the administrative expenses which experienced a significant fluctuation in the year ended 31 December 2015 when compared to the period from 28 March 2014 to 31 December 2014.

Other expenses

The Target Group incurred other expenses of approximately NZ$179,000 (annualized: NZ$358,000) and NZ$190,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The other expenses remained largely stable in the year ended 31 December 2015 when compared to the relevant period in 2014.

Finance costs

The Target Group incurred finance costs of approximately NZ$337,000 (annualized: NZ$674,000) and NZ$17,805,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The increase in the finance costs in year

2015 was mainly due to an increase in the interest charged on the loan from BCG Chinastar from 1 June 2015 at an interest rate of 5.0% per annum when compared to the relevant period in 2014.

Share of profits of joint ventures

The Target Group recorded share of profits of joint ventures of approximately NZ$8,579,000 (annualized: NZ$17,158,000) and NZ$11,667,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The decrease in the share of profits of joint ventures in year 2015 was primarily attributable to the conversion of Living Earth Limited from a joint venture to a wholly-owned subsidiary of the Target Group during the year ended 31 December 2015 and a reduction in the share of profits from Transwaste Canterbury Limited in the year ended 31 December 2015 due to a period of suspended operation caused by a fire accident caused by combustion of a timber monofil.

Profit

The Target Group achieved a profit after tax of approximately NZ$37,883,000 (annualized: NZ$75,766,000) and NZ$61,840,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The decrease in the profit after tax in the year ended 31 December 2015 when compared to the annualized figure of the relevant period in 2014 was mainly attributable to an increase in the finance costs, and was mainly offset by an increase in the other income and gains.

Employment and remuneration policies

The Target Group had 1,154 and 1,269 employees as at 31 December 2014 and 31 December 2015, respectively. It incurred employee benefit expenses of approximately NZ$38,584,000 (annualized: NZ$77,168,000) and NZ$81,364,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively. The Target Group remunerated its employees by reference to their qualifications, experiences, responsibilities and profitability of the Target Group as well as the prevailing market conditions. The Target Group's employee benefit expenses included bonuses of approximately NZ$789,000 (annualized: NZ$1,578,000) and NZ$1,732,000 for the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, respectively.

Significant investments held and future plans for material investments

As at 31 December 2014 and 31 December 2015, the Target Group did not have any significant investments apart from investments in joint ventures. As at 31 December 2014 and 31 December 2015, the investments in joint ventures held by the Target Group amounted to approximately NZ$95,069,000 and NZ$94,537,000, respectively. The two main joint ventures, namely, Transwaste Canterbury Limited and Midwest Disposals Limited continued to perform to expectation. There is no immediate plan for material investments by the Target Group.

Capital commitments and contingent liabilities

As at 31 December 2014 and 31 December 2015, the Target Group had capital commitments of approximately NZ$13,039,000 and NZ$15,273,000, respectively. The Target Group had granted a number of put options to secure additional land surrounding a landfill site. The related commitment amounted to NZ$10,477,000 and NZ$11,090,000 as at 31 December 2014 and 2015, respectively.

As at 31 December 2014 and 31 December 2015, the Target Group was subject to contingent liabilities of approximately NZ$1,034,519,000 and NZ$48,216,000, respectively. These contingent liabilities mainly comprised guarantees given to bank in connection with facilities granted to the parent, guarantees given to the New Zealand government authorities in connection with going concern of landfills and guarantees given to the New Zealand government authorities in connection with fulfilling the waste collection contracts and other activities. As at 31 December 2014, the Target Group was subject to guarantees given to bank in connection with facilities granted to the parent. The guarantees given to bank in connection with facilities granted to the parent were released during the year ended 31 December 2015, leading to a decrease in the contingent liabilities in that year.

Foreign exchange exposure

During the period from 28 March 2014 to 31 December 2014 and the year ended 31 December 2015, the operation of the Target Group was principally in New Zealand and the principal assets and liabilities of the Target Group were principally denominated in NZ$. The Target Group uses forward exchange contracts to hedge its exposures to US$ for at least 80% of its overseas recycling sales, which are denominated in US$ and account for approximately two months of recycling sales or 0.5% of the total revenue of the Target Group. Despite the use of financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates, the Target Group considered that it did not have material exposure to fluctuations in foreign currency exchange rate.

Material acquisitions and disposals

During the period from 28 March 2014 to 31 December 2014, Beijing NZ acquired the entire interest in BCWMNZ Group from Transpacific Industries Group Limited and Transpacific Industries Pty Limited with a cash consideration of NZ$959,988,000. During the year ended 31 December 2015, Waste Management NZ acquired: (i) the remaining 50% equity interest in Living Earth Limited from the other shareholder with a total consideration of NZ$9,801,000 where NZ$8,801,000 of the consideration was settled with cash whilst the remaining NZ$1,000,000 would become payable upon the occurrence of certain future events, (ii) a business involving waste and recycling services from Gordies Bins Limited and Gordies Management Limited for a cash consideration of NZ$2,300,000 and (iii) a business involving waste and recycling services from Waste Services Marlborough Limited for a cash consideration of NZ$2,500,000.

Charge on assets

As at 31 December 2014 and 31 December 2015, there were no charges on the Target Group's assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF BCWMNZ GROUP

Set out below is the management discussion and analysis of BCWMNZ Group for (i) the year ended 30 June 2013, (ii) the year ended 30 June 2014, (iii) the six months ended 31 December 2014 and (iv) the year ended 31 December 2015. During 2014, BCWMNZ changed its financial year end from 30 June to 31 December. Due to the shortened length of the six months ended 31 December 2014, certain financial figures for that period have been annualized for comparison purposes and provided for reference only in the discussion below. BCWMNZ Group's financial performance is not subject to seasonal factors.

Overview

As at 30 June 2013

BCWMNZ Group's non-current assets and current assets as at 30 June 2013 were approximately NZ$741,013,000 and NZ$133,163,000, respectively. BCWMNZ Group's non-current assets as at 30 June 2013 mainly comprised property, plant and equipment, goodwill, other intangible assets and investments in joint ventures.

BCWMNZ Group's non-current liabilities and current liabilities as at 30 June 2013 were approximately NZ$31,327,000 and NZ$365,097,000, respectively. BCWMNZ Group's non-current liabilities as at 30 June 2013 comprised finance lease payables, deferred tax liabilities and provisions made for the future costs of closing BCWMNZ Group's landfills at the end of their economic or consented lives and for the associated post-closure costs.

Please refer to the paragraph headed "Liquidity, financial position and capital structure" below for further discussions on BCWMNZ Group's current assets and current liabilities as at 30 June 2013.

As at 30 June 2014

BCWMNZ Group's non-current assets and current assets as at 30 June 2014 were approximately NZ$790,483,000 and NZ$67,860,000, respectively. BCWMNZ Group's non-current assets as at 30 June 2014 mainly comprised property, plant and equipment, goodwill, other intangible assets and investments in joint ventures. The increase in BCWMNZ Group's non-current assets when compared to that as at 30 June 2013 was mainly attributable to an increase in the property, plant and equipment and the investments in joint ventures.

BCWMNZ Group's non-current liabilities and current liabilities as at 30 June 2014 were approximately NZ$35,796,000 and NZ$305,254,000, respectively. BCWMNZ Group's non-current liabilities as at 30 June 2014 comprised deferred tax liabilities and provisions made for the future costs of closing BCWMNZ Group's landfills at the end of their economic or consented lives and for the associated post-closure costs. The increase in BCWMNZ Group's non-current liabilities as when compared to that as at 30 June 2013 was mainly attributable to an increase in the deferred tax liabilities and was partially offset by the full repayment of the finance lease payables during the year ended 30 June 2014.

Please refer to the paragraph headed "Liquidity, financial position and capital structure" below for further discussions on BCWMNZ Group's current assets and current liabilities as at 30 June 2014.

As at 31 December 2014

BCWMNZ Group's non-current assets and current assets as at 31 December 2014 were approximately NZ$790,516,000 and NZ$92,886,000, respectively. BCWMNZ Group's non-current assets as at 31 December 2014 mainly comprised property, plant and equipment, goodwill, other intangible assets and investments in joint ventures. BCWMNZ Group's non-current assets remained largely stable when compared to that as at 30 June 2014.

BCWMNZ Group's non-current liabilities and current liabilities as at 31 December 2014 were approximately NZ$32,240,000 and NZ$308,400,000, respectively. BCWMNZ Group's non-current liabilities as at 31 December 2014 comprised deferred tax liabilities and provisions made for the future costs of closing BCWMNZ Group's landfills at the end of their economic or consented lives and for the associated post-closure costs. The decrease in BCWMNZ Group's non-current liabilities when compared to that as at 30 June 2014 was due to a decrease in both of the deferred tax liabilities and provisions.

Please refer to the paragraph headed "Liquidity, financial position and capital structure" below for further discussions on BCWMNZ Group's current assets and current liabilities as at 31 December 2014.

As at 31 December 2015

BCWMNZ Group's non-current assets and current assets as at 31 December 2015 were approximately NZ$826,237,000 and NZ$88,122,000, respectively. BCWMNZ Group's non-current assets as at 31 December 2015 mainly comprised property, plant and equipment, goodwill, other intangible assets and investments in joint ventures. The increase in BCWMNZ Group's non-current assets when compared to that as at 31 December 2014 was mainly attributable to an increase in the property, plant and equipment, goodwill and other intangible assets.

BCWMNZ Group's non-current liabilities and current liabilities as at 31 December 2015 were approximately NZ$32,421,000 and NZ$280,184,000, respectively. BCWMNZ Group's non-current liabilities as at 31 December 2015 comprised deferred tax liabilities and provisions made for the future costs of closing BCWMNZ Group's landfills at the end of their economic or consented lives and for the associated post-closure costs. BCWMNZ Group's non-current liabilities remained largely stable when compared to that as at 31 December 2014.

Please refer to the paragraph headed "Liquidity, financial position and capital structure" below for further discussions on BCWMNZ Group's current assets and current liabilities as at 31 December 2015.

Liquidity, financial position and capital structure

BCWMNZ Group's revenue is generated from the operating activities of BCWMNZ's subsidiaries.

The year ended 30 June 2013

As at 30 June 2013, BCWMNZ Group's cash and cash equivalents were approximately NZ$11,612,000. The cash and cash equivalents were primarily held in NZ$. During the period, BCWMNZ Group recorded a negative cash flow of approximately NZ$4,015,000 which was mainly attributable to purchases of items of property, plant and equipment, repayment of loan from related parties and interest payments, and was mainly offset by the cash generated from operations.

As at 30 June 2013, BCWMNZ Group recorded a negative net current assets value of approximately NZ$231,934,000, primarily due to loan balances due to related parties of NZ$305,000,000 which were payable on demand. The current assets of BCWMNZ Group as at 30 June 2013 mainly comprised a receivable loan balance, and trade receivables (most of which were due within one month) and cash and cash equivalents. The current liabilities of BCWMNZ Group as at 30 June 2013 mainly comprised loan balances from related parties, trade and bills payables and other payables and accruals.

As at 30 June 2013, BCWMNZ Group had: (i) finance leases payables of approximately NZ$8,444,000 which was denominated in NZ$ and of which NZ$2,512,000 was due within one year and NZ$5,931,000 was due within two years with an interest rate of 9.9% per annum, (ii) one interest-bearing related party loan of approximately NZ$305,000,000 which was denominated in NZ$ and was repayable on demand with an annual interest rate of 6.54% and (iii) one interest-bearing mandatory convertible note due to a related party of approximately NZ$5,864,000 which was denominated in NZ$ and was repayable within one year with an annual interest rate of 9.15%. The gearing ratio, represented by net debt divided by the adjusted capital plus net debt was approximately 41.92% as at 30 June 2013. The aforesaid finance lease payables of approximately NZ$8,444,000 was repaid during the year ended 30 June 2014.

The year ended 30 June 2014

As at 30 June 2014, BCWMNZ Group's cash and cash equivalents were approximately NZ$9,275,000. The cash and cash equivalents were primarily held in NZ$. During the period, BCWMNZ Group recorded a negative cash flow of approximately NZ$2,337,000 which was mainly attributable to the purchases of items of property, plant and equipment, the repayment of loan from related parties and the interest payments, and was mainly offset by the cash generated from operations.

As at 30 June 2014, BCWMNZ Group recorded a negative net current assets value of approximately NZ$237,394,000. The decrease in the net current assets was mainly attributable to the addition of additional provisions and payables in preparation for the separate from the previous shareholder which are partially offset by the increased trade receivables. The current assets of BCWMNZ Group as at 30 June 2014 mainly comprised trade receivables (most of which were due within one month) and cash and cash equivalents. The current liabilities of BCWMNZ Group as at 30 June 2014 mainly comprised loan balances from related parties, trade payables and other payables and accruals.

As at 30 June 2014, BCWMNZ Group did not have any interest bearing bank loans or external loans. BCWMNZ Group had one interest-bearing related party loan of approximately NZ$237,240,000 which was denominated in NZ$ and was repayable on demand with an annual interest rate of 9.42%. The gearing ratio, represented by net debt divided by the adjusted capital plus net debt, was approximately 36.39% as at 30 June 2014.

The six months ended 31 December 2014

As at 31 December 2014, BCWMNZ Group's cash and cash equivalents were approximately NZ$30,941,000. The cash and cash equivalents were primarily held in NZ$. During the period, BCWMNZ Group recorded a positive cash flow of approximately NZ$21,666,000 (annualized: NZ$43,332,000) which was mainly attributable to the cash flows generated from operations, and was mainly offset by the purchases of items of property, plant and equipment, the repayment of loan from related parties and the interest payments.

As at 31 December 2014, BCWMNZ Group recorded a negative net current assets value of approximately NZ$215,514,000. The increase in the net current assets was primarily attributable to the increase in cash and cash equivalents. The current assets of BCWMNZ Group as at 31 December 2014 mainly comprised cash and cash equivalents and trade receivables (most of which were due within one month). The current liabilities of BCWMNZ Group as at 31 December 2014 mainly comprised the loan from the immediate holding company, Beijing NZ, trade payables and other payables and accruals.

As at 31 December 2014, BCWMNZ Group did not have any interest bearing bank loans or external loans. BCWMNZ Group had one interest-bearing related party loan of approximately NZ$222,671,000 which was denominated in NZ$ and repayable on demand with annual interest rate of 9.42%. The gearing ratio, represented by net debt divided by the adjusted capital plus net debt was approximately 33.34% as at 31 December 2014.

The year ended 31 December 2015

As at 31 December 2015, the cash and cash equivalents were approximately NZ$20,656,000, and the cash and cash equivalents were primarily held in NZ$. During the period, BCWMNZ Group recorded a negative cash flow of approximately NZ$10,284,000 which was mainly attributable to the purchases of items of property, plant and equipment, the repayment of loan from related parties and the interest payments, and was mainly offset by the cash generated from operations.

As at 31 December 2015, BCWMNZ Group recorded a negative net current assets value of approximately NZ$192,062,000. The increase in the net current assets was primarily attributable to the decrease in the loan from the immediate holding company, Beijing NZ as it was partially repaid to provide funding to pay interest due to the Target Company. The current assets of BCWMNZ Group as at 31 December 2015 mainly comprised cash and cash equivalents and trade receivables (most of which were due within one month). The current liabilities of BCWMNZ Group as at 31 December 2015 mainly comprised the loan from the immediate holding company, Beijing NZ, trade payables and other payables and accruals.

As at 31 December 2015, BCWMNZ Group did not have any interest bearing loans or external loans. BCWMNZ Group had one interest bearing related party loan of approximately NZ$178,086,000 which was denominated in NZ$ and repayable on demand with annual interest rate of 9.42%. The gearing ratio, represented by net debt divided by the adjusted capital plus net debt, was approximately 29.01% as at 31 December 2015.

Treasury policies

BCWMNZ Group has adopted prudent financial and treasury policies over the years with an objective of providing sufficient control on the treasury and funding activities and to improve the overall funding efficiency. BCWMNZ Group uses derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign currency rates and movements in electricity prices. BCWMNZ Group uses forward exchange contracts to hedge its exposures to US$ for at least 80% of its overseas recycling sales, which are denominated in US$ and account for approximately two months of recycling sales or 0.5% of the total revenue of BCWMNZ Group. BCWMNZ Group uses contracts for difference to hedge up to 75% of its electricity production. BCWMNZ Group's function currency is principally NZ$ and BCWMNZ Group therefore does not have material exposure to foreign exchange risks.

Revenue

BCWMNZ Group's revenue is mainly generated from collections, landfill, recycling and technical services of waste management. BCWMNZ Group recorded revenue of approximately NZ$344,382,000, NZ$378,144,000, NZ$210,506,000 (annualized: NZ$421,012,000) and NZ$445,438,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The increase in the revenue was mainly attributable to (i) the growth of revenue from collections and landfill and (ii) the inclusion of technical services stream of waste management during the year ended 30 June 2014 which experienced a rapid growth in revenue in subsequent periods.

Collections

BCWMNZ Group's revenue generated from collections, which usually accounted for more than a half of BCWMNZ Group's revenue, was approximately NZ$247,031,000, NZ$263,609,000, NZ$132,038,000 (annualized: NZ$264,076,000) and NZ$278,140,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The growth in the revenue derived from collections throughout the relevant periods was mainly driven by the growth in the market demand due to a growing economy, additional customers and contracts secured and price increases.

Landfill

BCWMNZ Group's revenue generated from landfill was approximately NZ$64,267,000, NZ$72,855,000, NZ$45,753,000 (annualized: NZ$91,506,000) and NZ$94,130,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The growth in the revenue derived from landfill throughout the relevant periods was mainly driven by the growth in the market demand due to a growing economy and price increases.

Recycling

BCWMNZ Group's revenue generated from recycling was approximately NZ$32,119,000, NZ$30,654,000, NZ$12,405,000 (annualized: NZ$24,810,000) and NZ$25,313,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The decrease in the revenue derived from recycling throughout the relevant periods was mainly due to the appreciation of the New Zealand dollar against the US dollar (as commodities recycled for sale are exported in US dollars) and a weakening market demand.

Technical services of waste management

BCWMNZ Group's revenue generated from technical services of waste management (which was introduced during the year ended 30 June 2014) was nil, approximately NZ$11,026,000, NZ$19,077,000 (annualized: NZ$38,154,000) and NZ$46,463,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The growth in the revenue derived from technical services of waste management throughout the relevant periods was mainly due to the full acquisition of Living Earth Limited in April 2015 (previously 50% owned as a joint venture and equity accounted for), a series of one-off project works and price increases.

Cost of sales

BCWMNZ Group's cost of sales represented costs of raw materials and inventory, waste collection and disposal costs, staff costs, equipment hire costs, costs of repair and maintenance, fuel costs, depreciation, freight, insurance costs, leasing expenses and travel costs. BCWMNZ Group incurred cost of sales of approximately NZ$256,023,000, NZ$274,574,000, NZ$145,102,000 (annualized: NZ$290,204,000) and NZ$306,310,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The increase in the cost of sales was primarily attributable to increased costs of raw materials and inventory, waste collection and disposal costs, staff costs and depreciation due to (i) the growth from collections and landfill operations and (ii) the inclusion of the technical services stream of waste management in the year ended 30 June 2014 which experienced a rapid growth in subsequent periods.

Gross profit

BCWMNZ Group's recorded gross profit of approximately NZ$88,359,000, NZ$103,570,000, NZ$65,405,000 (annualized: NZ$130,810,000) and NZ$139,127,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The increase in the gross profit throughout the relevant periods was primarily due to BCWMNZ Group's effective control of the growth of revenue from collections and landfill and the inclusion of the technical services stream along with BCWMNZ Group's effective control over the increase in the costs of sales in comparison.

Other income and gains

BCWMNZ Group's other income and gains comprise bank interest income, other interest income and other incomes, gain on foreign exchange, gain on disposal of items of property plant and equipment, gain on step acquisition and other gains. BCWMNZ Group recorded other income and gains of approximately NZ$17,828,000, NZ$14,463,000, NZ$335,000 (annualized: NZ$670,000) and NZ$8,331,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The other income and gains in the year ended 30 June 2014 remained stable when compared to the year ended 30 June 2013. The decrease in the other income and gains for the six months ended 31 December 2014 was mainly due to the decrease in other interest income and gain on disposal of items of property plant and equipment. The increase in the other income and gains in the year ended 31 December 2015 was mainly due to an increase in the bank interest income and gain on step acquisition.

Administrative expenses

BCWMNZ Group's administrative expenses represented staff costs, operating rental expense, costs of repair and maintenance, travel costs, insurance costs, communication costs, fuel costs, leasing expenses, depreciation and amortization costs. BCWMNZ Group incurred administrative expenses of approximately NZ$37,652,000, NZ$44,040,000, NZ$29,487,000 (annualized: NZ$58,974,000) and NZ$61,083,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The increase in the administrative expenses was primarily due to the additional administrative expenses incurred for the provision of technical services which was introduced during the year ended 30 June 2014.

Other expenses

BCWMNZ Group's other expenses represented impairment of foreign exchange losses, loss on disposal of property, plant and equipment, impairment of doubtful debts, donations and penalties. BCWMNZ Group incurred other expenses of approximately NZ$2,306,000, NZ$10,454,000, NZ$179,000 (annualized: NZ$358,000) and NZ$190,000 for the year ended

30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The increase in the other expenses in the year ended 30 June 2014 when compared to the year ended 30 June 2013 was mainly due to the loan denominated in AU$ and the disposal of operations. The decrease in the other expenses in the year ended 31 December 2015 when compared to the annualized other expenses in the six month ended 31 December 2014 was mainly due to the doubtful debt balance remaining consistent with the prior year.

Finance costs

BCWMNZ Group incurred finance costs of approximately NZ$37,676,000, NZ$28,952,000, NZ$11,899,000 (annualized: NZ$23,798,000) and NZ$19,756,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The decrease in the finance costs during the period from 2013 to 2014 was mainly due to a decrease in the interest on related party loans and repayment of the bank loan, whilst the increase in the finance costs during the year ended 31 December 2015 was mainly due to an increase in the interest on the related party loan from 6 months to 12 months. During the year ended 31 December 2015, the principal amount of the related party loan was partly repaid and the interest expense decreased in comparison to the annualized expense for the six months ended 31 December 2014.

Share of profits of joint ventures

BCWMNZ Group recorded share of profits of joint ventures of approximately NZ$5,337,000, NZ$11,717,000, NZ$8,579,000 (annualized: NZ$17,158,000) and NZ$11,667,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. The increase in the share of profits of joint ventures during the period from 2013 to 2014 was primarily attributable to the improved performance of the Transwaste Canterbury Limited joint venture group with the operations of the resource recovery park being included. The decrease in the share of profits of joint ventures during the year ended 31 December 2015 was primarily attributable to the conversion of Living Earth Limited from a joint venture to a wholly owned subsidiary of BCWMNZ during year 2015 and a reduction in the share of profits from Transwaste Canterbury Limited in year 2015 due to a period of suspended operation caused by a fire accident caused by combustion of a timber monofil.

Profit

BCWMNZ Group achieved a profit after tax of approximately NZ$29,438,000, NZ$36,364,000, NZ$26,178,000 (annualized: NZ$52,356,000) and NZ$58,973,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. There was a continuous growth in the profit after tax from the year ended 30 June 2013 to the year ended 31 December 2015 as there was a growth in the revenue with an effective control over cost of sales and administrative expenses.

Employment and remuneration policies

BCWMNZ Group had 996, 1,110, 1,154 and 1,269 employees as at 30 June 2013, 30 June 2014, 31 December 2014 and 31 December 2015, respectively. It incurred employee benefit expenses of approximately NZ$49,729,000, NZ$58,535,000, NZ$38,584,000 (annualized: NZ$77,168,000) and NZ$81,364,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively. BCWMNZ Group remunerated its employees by reference to their qualifications, experiences, responsibilities and profitability of BCWMNZ Group as well as the prevailing market conditions. BCWMNZ Group's employee benefit expenses included bonuses of approximately NZ$902,000, NZ$1,249,000, NZ$789,000 (annualized: NZ$1,578,000) and NZ$1,732,000 for the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, respectively.

Significant investments held and future plans for material investments

As at 30 June 2013, 30 June 2014, 31 December 2014 and 31 December 2015, BCWMNZ Group did not have any significant investments apart from investments in joint ventures. As at 30 June 2013, 30 June 2014, 31 December 2014 and 31 December 2015, the investments in joint ventures held by BCWMNZ Group amounted to approximately NZ$19,362,000, NZ$24,446,000, NZ$28,915,000 and NZ$29,982,000, respectively. The two main joint ventures, namely, Transwaste Canterbury Limited and Midwest Disposals Limited continued to perform to expectation. There is no immediate plan for material investments by BCWMNZ Group.

Capital commitment and contingent liabilities

As at 30 June 2013, 30 June 2014, 31 December 2014 and 31 December 2015, BCWMNZ Group had capital commitments of approximately NZ$15,717,000, NZ$19,219,000, NZ$23,516,000 and NZ$26,363,000, respectively. BCWMNZ Group has granted a number of put options to secure additional land surrounding a landfill site. The related commitment amounted to NZ$8,389,000, NZ$9,855,000, NZ$10,477,000 and NZ$11,090,000,respectively.

As at 30 June 2013, 30 June 2014, 31 December 2014 and 31 December 2015, BCWMNZ Group was subject to contingent liabilities of approximately NZ$1,728,884,000, NZ$1,033,598,000, NZ$1,034,519,000 and NZ$48,216,000, respectively. These contingent liabilities mainly comprised guarantees given to bank in connection with facilities granted to the parent, guarantees given to the New Zealand government authorities in connection with going concern of landfills and guarantees given to the New Zealand government authorities in connection with fulfilling the waste collection contracts and other activities. The guarantees given to bank in connection with facilities granted to the parent were released during the year ended 31 December 2015, leading to a decrease in the contingent liabilities in that year.

As at 30 June 2013, BCWMNZ Group was subject to a cross guarantee under which it and other members of Transpacific Industries Group Limited were guarantors of the banking facilities of Transpacific Group Limited. As at 30 June 2013, the debt of Transpacific Industries Group Limited Group under its banking facilities amounted to approximately AUD$1,425 million. As at 30 June 2014 and 31 December 2014, BCWMNZ Group was subject to guarantees under the BCG Chinastar's bridge loan facility. The bridge loan facility outstanding amounted to US$862 million and US$775.8 million as at 30 June 2014 and 31 December 2014, respectively.

Foreign exchange exposure

During the year ended 30 June 2013, the year ended 30 June 2014, the six months ended 31 December 2014 and the year ended 31 December 2015, the operation of BCWMNZ Group was principally in New Zealand and the principal assets and liabilities of BCWMNZ Group were principally denominated in NZ$. BCWMNZ Group uses forward exchange contracts to hedge its exposures to US$ for at least 80% of its overseas recycling sales, which are denominated in US$ and account for approximately two months of recycling sales or 0.5% of the total revenue of the BCWMNZ Group. Despite the use of financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates, BCWMNZ Group considered that it did not have material exposure to fluctuations in foreign currency exchange rate.

Material acquisitions and disposals

During the year ended 30 June 2013, Waste Management NZ acquired the business operations of Northern Southland Greymouth Waste Business, a business involved in waste services from Trojan Holdings Limited for a cash consideration of NZ$600,000.

During the year ended 30 June 2014, Waste Management NZ acquired: (i) the entire equity interest in Transpacific Industries Limited Group from Transpacific Industries Group Limited for a consideration of NZ$1 and (ii) the business operations of Seaview Recycle and Transfer Station, a business involved in waste and recycling transfer services, from RJM Properties Limited and Seaview Recycle and Transfer Station Limited for a cash consideration of NZ$2,538,000.

During the year ended 31 December 2015, Waste Management NZ acquired: (i) the remaining 50% equity interest in Living Earth Limited from the other shareholder with a total consideration of NZ$9,801,000 where NZ$8,801,000 of the consideration was settled with cash whilst the remaining NZ$1,000,000 would become payable upon the occurrence of certain future events, (ii) a business involving waste and recycling services from Gordies Bins Limited and Gordies Management Limited for a cash consideration of NZ$2,300,000; and (iii) a business involving waste and recycling services from Waste Services Marlborough Limited for a cash consideration of NZ$2,500,000.

Charge on assets

As at 30 June 2013, BCWMNZ Group had a 5-year finance lease relating to collection vehicles with Commonwealth Bank of Australia, which commenced in 2010. The finance lease terminated during the six months ended 30 June 2014.

As at 30 June 2014, 31 December 2014 and 31 December 2015, there were no charges on BCWMNZ Group's assets.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

8 June 2016

The Directors
Capital Environment Holdings Limited

Dear Sirs,

We set out below our report on the financial information of BCG NZ Investment Holding Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for the period from 28 March 2014 to 31 December 2014 and for the year ended 31 December 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2014 and 2015, together with the notes thereto (the "Financial Information"), for inclusion in the circular of Capital Environment Holdings Limited (the "Company") dated 8 June 2016 (the "Circular") in connection with the Company's proposed acquisition of a 51% equity interest of the Target Company (the "Acquisition").

The Target Company was incorporated as a limited liability company on 28 March 2014 in Hong Kong.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance the relevant accounting principles applicable to these companies in the countries in which they were incorporated. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") 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 (the "HKICPA"). The Underlying Financial Statements for each of the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors of the Target Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group as at 31 December 2014 and 2015 and of the consolidated financial performance and cash flows of the Target Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section II *Notes*	From 28 March 2014 to 31 December 2014 *NZ$*	2015 *NZ$*
REVENUE	5	210,506,487	445,437,539
Cost of sales		(145,101,744)	(306,310,076)
Gross profit		65,404,743	139,127,463
Other income and gains	5	428,785	7,240,111
Administrative expenses		(33,199,458)	(68,508,526)
Other expenses		(179,455)	(189,750)
Finance costs	7	(337,362)	(17,804,981)
Share of profits of joint ventures		8,578,927	11,666,784
PROFIT BEFORE TAX	6	40,696,180	71,531,101
Income tax expense	10	(2,812,717)	(9,691,523)
PROFIT FOR THE YEAR/PERIOD		37,883,463	61,839,578
Attributable to:			
Owners of the parent		37,883,463	61,839,578

(b) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
PROFIT FOR THE YEAR/PERIOD	37,883,463	61,839,578
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year/period	(708,770)	20,220
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	(708,770)	20,220
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	37,174,693	61,859,798
Attributable to:		
Owners of the parent	37,174,693	61,859,798

(c) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II *Notes*	2014 *NZ$*	2015 *NZ$*
NON-CURRENT ASSETS			
Property, plant and equipment	13	257,621,835	270,351,739
Goodwill	14	370,505,635	382,532,624
Other intangible assets	15	302,768,970	303,300,836
Investments in joint ventures	16	95,068,927	94,537,424
Prepayments	20	318,897	1,065,768
Total non-current assets		1,026,284,264	1,051,788,391
CURRENT ASSETS			
Inventories	18	1,814,171	2,220,742
Trade receivables	19	55,291,026	58,028,298
Prepayments	20	1,315,084	1,860,409
Prepaid income tax		—	3,242,200
Assets held for sale	21	960,606	1,432,212
Derivative financial instruments	23	—	24,031
Cash and cash equivalents	22	56,045,259	96,599,765
Total current assets		115,426,146	163,407,657
CURRENT LIABILITIES			
Derivative financial instruments	23	82,391	—
Trade payables	24	27,458,141	30,790,983
Other payables and accruals	25	50,286,105	71,057,270
Tax payable		1,497,117	—
Dividend payable		30,500,000	31,000,000
Loan from a non-controlling shareholder	26	570,000,000	—
Total current liabilities		679,823,754	132,848,253
NET CURRENT ASSETS/(LIABILITIES)		(564,397,608)	30,559,404
TOTAL ASSETS LESS CURRENT LIABILITIES		461,886,656	1,082,347,795

	Section II *Notes*	2014 *NZ$*	2015 *NZ$*
TOTAL ASSETS LESS CURRENT LIABILITIES		461,886,656	1,082,347,795
NON-CURRENT LIABILITIES			
Loan from a non-controlling shareholder	26	—	570,000,000
Deferred tax liabilities	28	42,350,085	40,329,257
Provision	27	22,874,339	22,996,508
Total non-current liabilities		65,224,424	633,325,765
Net assets		396,662,232	449,022,030
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	389,987,539	389,987,539
Reserves	30	6,674,693	59,034,491
Total equity		396,662,232	449,022,030

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Section II *Notes*	Share capital *NZ$*	Hedging reserve *NZ$*	Retained profits *NZ$*	Total equity *NZ$*
At 28 March 2014		—	—	—	—
Profit for the period		—	—	37,883,463	37,883,463
Other comprehensive income for the period:					
Changes in fair value of cash flow hedges		—	(708,770)	—	(708,770)
Total comprehensive income for the period		—	(708,770)	37,883,463	37,174,693
Issue of shares	29	389,987,539	—	—	389,987,539
Final 2014 dividend declared	11	—	—	(30,500,000)	(30,500,000)
At 31 December 2014		389,987,539	(708,770)*	7,383,463*	396,662,232
Profit for the year		—	—	61,839,578	61,839,578
Other comprehensive income for the year:					
Changes in fair value of cash flow hedges		—	20,220	—	20,220
Total comprehensive income for the year		—	20,220	61,839,578	61,859,798
Interim 2015 dividend declared	11	—	—	(9,500,000)	(9,500,000)
At 31 December 2015		389,987,539	(688,550)*	59,723,041*	449,022,030

* *These reserve accounts comprise the consolidated reserves of NZ$6,674,693 and NZ$59,034,491 in the consolidated statements of financial position as at 31 December 2014 and 2015.*

(e) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Notes	From 28 March 2014 to 31 December 2014 NZ$	2015 NZ$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		40,696,180	71,531,101
Adjustments for:			
Finance costs	7	337,362	17,804,981
Interest income	5	(275,084)	(1,839,156)
Share of profit of joint ventures		(8,578,927)	(11,666,784)
Gain on step acquisition		—	(4,581,259)
Gain on disposal of items of property, plant and equipment	5	(81,502)	(792,821)
Depreciation	6	19,440,649	38,325,228
Amortisation of other intangible assets	6	4,056,030	9,048,203
Impairment of trade receivables	6	179,455	154,665
		55,774,163	117,984,158
(Increase)/decrease in inventories		(129,750)	138,552
Increase in trade receivables		(3,190,329)	(1,553,959)
Increase in prepayments		(723,097)	(1,268,379)
Decrease/(increase) in assets held for sale		262,794	(438,490)
Increase in trade payables		3,076,067	163,954
Increase in other payables and accruals		6,307,869	3,029,420
Decrease in provision		—	(856,234)
Cash generated from operations		61,377,717	117,199,022
Interest received	5	275,084	1,839,156
Interest paid		(36,609)	(246,548)
Hong Kong profits tax paid		(1,651,726)	(5,097,619)
Overseas taxes paid		(1,071,310)	(12,716,652)
Net cash flows from operating activities		58,893,156	100,977,359

	Section II *Notes*	From 28 March 2014 to 31 December 2014 *NZ$*	2015 *NZ$*
Net cash flows from operating activities		58,893,156	100,977,359
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from joint ventures		4,110,000	8,209,825
Purchases of items of property, plant and equipment		(17,013,122)	(49,357,975)
Proceeds from disposal of items of property, plant and equipment		245,558	2,555,736
Acquisition of subsidiaries	31	(890,190,333)	(12,675,129)
Additions to other intangible assets		—	(74,864)
Investment reimbursement		—	888,212
Net cash flows used in investing activities		(902,847,897)	(50,454,195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		330,000,000	—
Repayment of a bank overdraft		—	(968,658)
New loan from a non-controlling shareholder		570,000,000	—
Dividends paid		—	(9,000,000)
Net cash flows from/(used in) financing activities		900,000,000	(9,968,658)
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,045,259	40,554,506
Cash and cash equivalents at beginning of year/period		—	56,045,259
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		56,045,259	96,599,765
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	56,045,259	96,599,765

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Target Company was incorporated as a limited liability company on 28 March 2014 in Hong Kong. The registered office of the Target Company is located at Room 2008, Floor 20, Jardine House, No.1 Connaught Place, Central, Hong Kong.

The Target Company is an investment holding company. During the Relevant Periods, the Target Company's subsidiaries were involved in waste management services.

During the year, BCG Chinastar International Investment Limited ("BCG Chinastar"), the Target Company's former immediate holding company which was incorporated in Hong Kong, transferred 65% of its interest in the Target Company to Beijing Capital HK Limited ("BCHK"), a wholly-owned subsidiary of Beijing Capital Limited. Beijing Capital Limited is an A-share listed company in the People's Republic of China ("the PRC"), whose controlling shareholder is Beijing Capital Group ("BCG"). Therefore, the Target Company's ultimate holding company is BCG, a state-owned enterprise registered in the PRC.

As at 31 December 2015, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Beijing Capital Group NZ Investment Holding Limited	New Zealand	NZ$209,987,539	100	—	Investment holding
Beijing Capital Waste Management NZ Limited	New Zealand	NZ$579,421,989	—	100	Investment management
Waste Management NZ Limited	New Zealand	—	—	100	Waste management services
Living Earth Limited	New Zealand	—	—	100	Non-trading
Gordies Bins Limited	New Zealand	—	—	100	Non-trading
Waste Services Marlborough Limited	New Zealand	—	—	100	Non-trading
Waste Care Limited	New Zealand	—	—	100	Non-trading
Tartan Industries Limited	New Zealand	—	—	100	Non-trading
Waste Disposal Services Limited	New Zealand	—	—	100	Non-trading
General Rubbish Collection Limited	New Zealand	—	—	100	Non-trading
Flexi-Bin Limited	New Zealand	—	—	100	Non-trading
Sunshine Garden Bag and Bin Company Limited	New Zealand	—	—	100	Non-trading
Budget Bins Limited	New Zealand	—	—	100	Non-trading
Waste Management All Brite Limited	New Zealand	—	—	100	Non-trading
Healthcare Waste Limited	New Zealand	—	—	100	Non-trading
Waste Management Limited	New Zealand	—	—	100	Non-trading
The Wheelibin Company Limited	New Zealand	—	—	100	Non-trading
Get-A-Bin Limited	New Zealand	—	—	100	Non-trading

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
Eastern Bins Limited	New Zealand	—	—	100	Non-trading
Waste Management Collections Limited	New Zealand	—	—		Non-trading
BCG Waste Management Limited	New Zealand	—	—	100	Non-trading
Canterbury Waste Services Limited	New Zealand	—	—	100	Non-trading
Recycle New Zealand Limited	New Zealand	—	—	100	Non-trading
Otago Waste Services Limited	New Zealand	—	—	100	Non-trading
ERS New Zealand Limited	New Zealand	—	—	100	Non-trading
Canterbury Material Recovery Facilities Limited	New Zealand	—	—	100	Non-trading
Waste Management Solutions (NZ) Limited	New Zealand	—	—	100	Non-trading
Waste Management Recycling Limited	New Zealand	—	—	100	Non-trading
Waste Management Technical Services Limited	New Zealand	—	—	100	Non-trading

Note:

Beijing Capital Group NZ Investment Holding Limited was incorporated in the New Zealand as a limited liability company. The statutory financial statements of this entity and its subsidiaries for each of the Relevant Periods prepared under New Zealand Generally Accepted Accounting Practice was audited by Ernst & Young's member firm in New Zealand, certified public accountants registered in the New Zealand.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for derivative financial instruments and freehold land classified as property, plant and equipment which have been measured at fair value. The Financial Information is presented in New Zealand dollars ("NZ$").

Basis of consolidation

The Financial Information includes the financial statements of the Target Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Group
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Target Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Target Group expects to adopt HKFRS 9 from 1 January 2018. The Target Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Target Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Target Group upon adoption on 1 January 2016.

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 standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Target Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Target Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Target Group's Financial Information.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Target Group upon adoption on 1 January 2016 as the Target Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Target Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Investments in joint operations

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Target Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Except that the depreciation of landfill development costs is based on the portion used in the financial period as compared to the total anticipated waste volume of the landfill concerned, depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	4.00% to 6.67%
Machinery and equipment	6.67% to 20.00%
Motor vehicles	6.67% to 33.33%
Office equipment	20.00% to 33.33%
Leasehold improvements	10.00% to 33.33%

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

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

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

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

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

Customer contracts

Customer contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 9 to 19 years.

Licences

Licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 27 years.

Trade name

Trade name is an intangible asset with an indefinite useful life and it is not amortised but tested for impairment annually.

Build-operate-transfer contracts

Intangible assets acquired through build-operate-transfer contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 10 years.

Leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Financial liabilities

Initial recognition and measurement

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

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

The Target Group's financial liabilities include trade and other payables, amounts due to related parties, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Target Group formally designates and documents the hedge relationship to which the Target Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Target Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Fair value hedges

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

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

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

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

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

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

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

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

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

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

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

Contracts for services

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

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

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

Employee benefits

The liability for employee benefits comprises principally outstanding wages, salaries, payroll taxes, annual, statutory and long service leave accruals payable at the end of the Relevant Periods. Annual leave and sick leave are recorded at the undiscounted amount expected to be paid for the entitlement earned. For sick leave, this is based on the unused entitlement accumulated at the end of the Relevant Periods and expected to be utilised in the future.

The employees of the Target Group's subsidiaries which operate in New Zealand are entitled to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 3% of its payroll costs as a compulsory contribution for all enrolled members to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

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

Final dividends are recognised as a liability when they are approved by the shareholders, and proposed final dividends are disclosed in the notes to the Financial Information.

Foreign currencies

The Financial Information is presented in New Zealand dollars, which is the Target Group's functional currency. Transactions in foreign currencies are translated into the functional currency of the Target Group using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Contingent liabilities

In the opinion of the Target Group's directors, the contingent liabilities related to guarantees providing to bank and government are not the present obligation of the Target Group according to guarantee contracts and the probability to undertake the obligations is low. The Group has not made any provision for these in consolidated statement financial position. Details are set out in note 33 to the financial statement.

Estimation uncertainty

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

Impairment of non-current assets other than financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial and non-current assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were NZ$370,505,635 and NZ$382,532,624 as at 31 December 2014 and 2015, respectively. Further details are given in note 14 to the Financial Information.

Income tax

When providing for income tax, as a result of certain issues on income tax have yet to be confirmed by the tax authorities, estimation has to be made on the basis of the existing tax laws and regulations and other relevant policies. If the relevant matters affecting the final tax result are different from the estimation amount, the difference will affect the current income tax.

Estimated useful lives and residual value of fixed assets

When estimating useful lives and residual value of fixed assets, the following factors are considered: innovation and improvement, the market demand of products or services related to asset changes which results in the outdatedness of the technical or commercial, intended use of the assets, physical abrasion, maintenance of assets, the laws about the use of assets or similar restrictions. The estimate of useful lives of the relevant assets is based on the Target Group's experience of using similar assets in a similar condition. The estimated life of the landfill asset is dependent on both the resource consent period and estimated time to reach full capacity of the landfill. If the useful lives and residual value of fixed assets are inconsistent with previous estimates, the depreciation may need to be adjusted. The useful lives and residual value will be reviewed at each year end.

Impairment of trade receivables

Provision for bad debts is made by management for trade receivable. It is estimated according to customers' credit history and current market conditions. Management will re-evaluate the estimate on each balance sheet date, and the differences will affect book value and bad debt of trade receivables if the re-evaluated amount is different from previous estimates.

Provisions for site restoration

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

Future landfill site restoration and aftercare costs provided for are initially capitalised in the statement of financial position. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non-current assets in the statement of financial position.

4. SEGMENT INFORMATION

All the Target Group's operations are located and carried out in New Zealand, and all the revenue and operating results of the Target Group are derived from waste management services. Accordingly, no segment information by business and geographical segments is presented.

The Target Group's revenue from external customers is derived solely from its operations in New Zealand, and almost all of the non-current assets of the Target Group are located in New Zealand.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net sales from collections, landfill, recycling and technical services of waste management.

An analysis of revenue, other income and gains is as follows:

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Revenue		
Collections	132,037,993	278,139,811
Landfill	45,752,779	94,130,157
Recycling	12,405,176	25,312,758
Technical services	19,077,043	46,462,682
Others	1,233,496	1,392,131
	210,506,487	445,437,539
Other income		
Bank interest income	275,084	1,839,156
Gains		
Gain on foreign exchange	72,199	26,875
Gain on disposal of items of property, plant and equipment	81,502	792,821
Gain on step acquisition	—	4,581,259
	153,701	5,400,955
	428,785	7,240,111

6. PROFIT BEFORE TAX

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

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Cost of services provided	145,101,744	306,310,076
Depreciation	19,440,649	38,325,228
Amortisation of other intangible assets	4,056,030	9,048,203
Minimum lease payments under operating leases in respect of office equipment, properties and vehicles	2,642,128	4,654,740
Auditors' remuneration	187,000	355,247
Staff costs (excluding directors' remuneration *(note 8)*):		
Wages and salaries	37,766,485	79,522,113
Pension scheme contributions	817,469	1,841,636
	38,583,954	81,363,749
Gain on step acquisition	—	(4,581,259)
Impairment of trade receivables *(note 19)*	179,455	154,665
Foreign exchange differences, net	(72,199)	(26,875)

7. FINANCE COSTS

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Interest on bank loans, overdrafts and other loans	36,609	16,956,137
Other finance costs: increase in discounted amounts of provisions arising from the passage of time *(note 27)*	300,753	848,844
	337,362	17,804,981

8. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Target Company during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration during the Relevant Periods of the five highest paid employees who are neither a director nor chief executive of the Target Company are as follows:

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Salaries, allowances and benefits in kind	860,022	1,782,966
Performance related bonuses	201,351	470,544
Pension scheme contributions	31,841	91,060
	1,093,214	2,344,570

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	From 28 March 2014 to 31 December 2014	2015
Nil to HK$1,000,000	4	—
HK$1,000,001 to HK$1,500,000	—	—
HK$1,500,001 to HK$2,000,000	1	1
Over HK$2,000,000	—	4

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Target Group operates.

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Current — Hong Kong		
Charge for the year/period	1,651,726	5,097,619
Current — New Zealand		
Charge for the year/period	4,618,857	6,367,091
Adjustment for prior year/period	—	2,151,361
Deferred tax credit for the year/period *(note 28)*	(3,457,866)	(3,924,548)
Tax charge for the year/period	2,812,717	9,691,523

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

From 28 March 2014 to 31 December 2014

	Hong Kong		New Zealand		Total	
	NZ$	*%*	*NZ$*	*%*	*NZ$*	*%*
Profit before tax	31,135,139		9,561,041		40,696,180	
Tax at the statutory tax rate	5,137,298	16.5	2,677,092	28.0	7,814,390	19.2
Income not subject to tax	(5,137,303)	(16.5)	(2,421,320)	(25.3)	(7,558,623)	(18.6)
Expenses not deductible for tax	5	—	905,219	9.5	905,224	2.2
Effect of withholding tax on interest income	1,651,726	5.3	—	—	1,651,726	4.1
Tax charge at the Target Group's effective rate	1,651,726	5.3	1,160,991	12.2	2,812,717	6.9

2015

	Hong Kong		New Zealand		Total	
	NZ$	*%*	*NZ$*	*%*	*NZ$*	*%*
Profit before tax	55,277,199		16,253,902		71,531,101	
Tax at the statutory tax rate	9,120,738	16.5	4,551,093	28.0	13,671,831	19.1
Income not subject to tax	(11,879,459)	(21.5)	(2,201,760)	(13.5)	(14,081,219)	(19.7)
Expenses not deductible for tax	2,758,721	5.0	93,210	0.6	2,851,931	4.0
Effect of withholding tax on interest income	5,097,619	9.2	—	—	5,097,619	7.1
Adjustments in respect of current tax of previous periods	—	—	2,151,361	13.2	2,151,361	3.0
Tax charge at the Target Group's effective rate	5,097,619	9.2	4,593,904	28.3	9,691,523	13.5

11. DIVIDENDS

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Interim — NZ2.44 cents (2014: Nil) per ordinary share	—	9,500,000
Declared final — NZ7.82 cents for the period from 28 March 2014 to 31 December 2014 (2015: Nil) per ordinary share	30,500,000	—
	30,500,000	9,500,000

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Landfill development	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*
2014									
At the beginning of the period:									
Cost	—	—	—	—	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—	—	—	—	—
Net carrying amount	—	—	—	—	—	—	—	—	—
At the beginning of the period, net of accumulated depreciation	—	—	—	—	—	—	—	—	—
Additions	35,681	129,796	288,514	7,403,322	2,227,715	122,915	684,076	6,121,103	17,013,122
Acquisition of subsidiaries *(note 31)*	31,631,513	60,566,837	19,695,842	81,925,479	41,319,951	733,081	7,021,082	18,687,347	261,581,132
Depreciation provided during the period	—	(4,183,214)	(874,401)	(8,681,612)	(5,225,452)	(145,523)	(330,447)	—	(19,440,649)
Disposals	—	—	—	(187,005)	(1,320)	—	—	—	(188,325)
Others	—	(1,343,445)	—	—	—	—	—	—	(1,343,445)
At 31 December 2014, net of accumulated depreciation	31,667,194	55,169,974	19,109,955	80,460,184	38,320,894	710,473	7,374,711	24,808,450	257,621,835
At 31 December 2014:									
Cost	31,667,194	59,353,188	19,984,356	89,141,796	43,546,346	855,996	7,705,158	24,808,450	277,062,484
Accumulated depreciation	—	(4,183,214)	(874,401)	(8,681,612)	(5,225,452)	(145,523)	(330,447)	—	(19,440,649)
Net carrying amount	31,667,194	55,169,974	19,109,955	80,460,184	38,320,894	710,473	7,374,711	24,808,450	257,621,835
2015									
At the beginning of the year:									
Cost	31,667,194	59,353,188	19,984,356	89,141,796	43,546,346	855,996	7,705,158	24,808,450	277,062,484
Accumulated depreciation	—	(4,183,214)	(874,401)	(8,681,612)	(5,225,452)	(145,523)	(330,447)	—	(19,440,649)
Net carrying amount	31,667,194	55,169,974	19,109,955	80,460,184	38,320,894	710,473	7,374,711	24,808,450	257,621,835
At the beginning of the year, net of accumulated depreciation	31,667,194	55,169,974	19,109,955	80,460,184	38,320,894	710,473	7,374,711	24,808,450	257,621,835
Additions	—	—	—	—	—	—	—	49,357,975	49,357,975
Acquisition of subsidiaries *(note 31)*	—	2,491,894	—	1,908,713	543,264	57,723	285,908	—	5,287,502
Depreciation provided during the year	—	(7,651,064)	(1,549,713)	(17,966,888)	(10,081,513)	(324,859)	(751,191)	—	(38,325,228)
Disposals	(1,701,345)	—	(1,088,638)	(249,606)	(178,825)	(77,217)	(489)	—	(3,296,120)
Others *(note27)*	—	(294,225)	—	—	—	—	—	—	(294,225)
Transfers	—	8,089,827	807,544	19,615,601	18,101,937	408,615	581,932	(47,605,456)	—
At 31 December 2015, net of accumulated depreciation	29,965,849	57,806,406	17,279,148	83,768,004	46,705,757	774,735	7,490,871	26,560,969	270,351,739
At 31 December 2015:									
Cost	29,965,849	69,640,684	18,652,058	109,324,678	61,535,654	1,142,061	8,505,003	26,560,969	325,326,956
Accumulated depreciation	—	(11,834,278)	(1,372,910)	(25,556,674)	(14,829,897)	(367,326)	(1,014,132)	—	(54,975,217)
Net carrying amount	29,965,849	57,806,406	17,279,148	83,768,004	46,705,757	774,735	7,490,871	26,560,969	270,351,739

14. GOODWILL

	NZ$
At 28 March 2014:	
Cost	—
Accumulated impairment	—
Net carrying amount	—
Cost at 28 March 2014, net of accumulated impairment	—
Acquisition of subsidiaries *(note 31)*	370,505,635
Cost at 31 December 2014, net of accumulated impairment	370,505,635
At 31 December 2014:	
Cost	370,505,635
Accumulated impairment	—
Net carrying amount	370,505,635
Cost at 1 January 2015, net of accumulated impairment	370,505,635
Acquisition of subsidiaries *(note 31)*	13,220,426
Investment reimbursement	(888,212)
Other decrease	(305,225)
Cost at 31 December 2015, net of accumulated impairment	382,532,624
At 31 December 2015:	
Cost	382,532,624
Accumulated impairment	—
Net carrying amount	382,532,624

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are 7.64% and 7.80% for the period from 28 March 2014 to 31 December 2014 and for the year ended 31 December 2015, respectively. The cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% during the Relevant Periods.

Assumptions were used in the value in use calculation of the cash-generating unit during the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the years immediately before the budget year, increased for expected market development.

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

15. OTHER INTANGIBLE ASSETS

	Customer contracts *NZ$*	Licences *NZ$*	Trade name *NZ$*	Build-operate-transfer contracts *NZ$*	Total *NZ$*
2014					
At the beginning of the period:					
Cost	—	—	—	—	—
Accumulated amortisation	—	—	—	—	—
Net carrying amount	—	—	—	—	—
Cost at the beginning of the period, net of accumulated amortisation	—	—	—	—	—
Acquisition of subsidiaries *(note 31)*	26,715,000	124,810,000	155,300,000		306,825,000
Amortisation provided during the period	(829,391)	(3,226,639)	—	—	(4,056,030)
At 31 December 2014	25,885,609	121,583,361	155,300,000	—	302,768,970
At 31 December 2014:					
Cost	26,715,000	124,810,000	155,300,000	—	306,825,000
Accumulated amortisation	(829,391)	(3,226,639)	—	—	(4,056,030)
Net carrying amount	25,885,609	121,583,361	155,300,000	—	302,768,970
2015					
At the beginning of the year:					
Cost	26,715,000	124,810,000	155,300,000	—	306,825,000
Accumulated amortisation	(829,391)	(3,226,639)	—	—	(4,056,030)
Net carrying amount	25,885,609	121,583,361	155,300,000	—	302,768,970
Cost at the beginning of the year, net of accumulated amortisation	25,885,609	121,583,361	155,300,000	—	302,768,970
Additions	—	12,803	—	1,595,266	1,608,069
Acquisition of subsidiaries *(note 31)*	6,799,000	—	1,173,000	—	7,972,000
Amortisation provided during the year	(2,225,367)	(6,459,679)	—	(363,157)	(9,048,203)
At 31 December 2015	30,459,242	115,136,485	156,473,000	1,232,109	303,300,836
At 31 December 2015:					
Cost	33,514,000	124,822,803	156,473,000	1,595,266	316,405,069
Accumulated amortisation	(3,054,758)	(9,686,318)	—	(363,157)	(13,104,233)
Net carrying amount	30,459,242	115,136,485	156,473,000	1,232,109	303,300,836

16. INVESTMENTS IN JOINT VENTURES

	2014	2015
	NZ$	*NZ$*
Share of net assets	28,914,927	29,981,618
Goodwill on acquisition	66,154,000	64,555,806
	95,068,927	94,537,424

The Target Group's trade receivable balances due from the joint ventures and trade payable balances due to the joint ventures are disclosed in note 19 and note 24 to the Financial Information, respectively.

Particulars of the Target Group's material joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Transwaste Canterbury Limited	NZ$16,000,000	New Zealand	50	50	50	Waste collection and landfill

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

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

	2014	2015
	NZ$	*NZ$*
Cash and cash equivalents	36,424,381	42,113,939
Other current assets	9,397,599	6,227,177
Current assets	45,821,980	48,341,116
Non-current assets	50,882,752	59,157,104
Financial liabilities, excluding trade and other payables	—	—
Other current liabilities	48,040,941	54,696,559
Current liabilities	48,040,941	54,696,559
Non-current financial liabilities, excluding trade and other payables and provisions	—	—
Other non-current liabilities	8,445,275	7,368,241
Non-current liabilities	8,445,275	7,368,241
Net assets	40,218,516	45,433,420
Reconciliation to the Target Group's interest in the joint venture:		
Proportion of the Target Group's ownership	50%	50%
Target Group's share of net assets of the joint venture	20,109,258	22,716,710
Goodwill on acquisition	54,850,940	54,850,940
Carrying amount of the investment	74,960,198	77,567,650

Financial information of the Target Group's share of profit or loss is as follows:

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Revenue	17,236,013	31,148,047
Interest income	301,275	705,240
Depreciation and amortisation	(1,493,478)	(3,467,191)
Interest expenses	(277,909)	(629,383)
Tax	(2,679,572)	(4,099,978)
Profit and total comprehensive income for the year/period	6,394,021	9,857,452
Other comprehensive income	—	—
Dividend received	3,800,000	7,250,000

The following table illustrates the aggregate financial information of the Target Group's other joint ventures:

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Share of the joint ventures' profit for the year/period	2,184,906	1,809,332
Share of the joint ventures' other comprehensive income	—	—
Share of the joint ventures' total comprehensive income	2,184,906	1,809,332
Aggregate carrying amount of the Target Group's investments in the joint ventures	20,108,729	16,969,774

17. INVESTMENT IN A JOINT OPERATION

Particulars of the Target Group's joint operation are as follows:

Name	Place of incorporation	Percentage of ownership interest attributable to the Target Group	Principal activity	Accounting treatment
Waste Disposal Services	New Zealand	50	Waste collection and landfill	Joint operation

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

The Target Group's trade receivable balance due from the joint operation and trade payable balance due to the joint operation are disclosed in notes 19 and note 24 to the Financial Information, respectively.

The Target Group's share of material assets and liabilities of Waste Disposal Services included in the Financial Information is as follows:

	2014	2015
	NZ$	*NZ$*
Current assets	2,918,581	4,677,903
Non-current assets	12,718,984	15,334,260
Total assets	15,637,565	20,012,163
Current liabilities	730,835	978,500
Non-current liabilities	1,650,442	3,562,333
Total liabilities	2,381,277	4,540,833
Net assets shared as shareholders	13,256,288	15,471,330

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
Share of the joint operation's revenue	3,380,798	7,739,217
Share of the joint operation's expenses	(2,237,633)	(4,523,999)
Share of the joint operation's profit before tax	1,143,165	3,215,218

18. INVENTORIES

	2014	2015
	NZ$	*NZ$*
Raw materials	173,565	316,574
Work in progress	18,486	—
Finished goods	1,622,120	1,904,168
	1,814,171	2,220,742

19. TRADE RECEIVABLES

	2014	2015
	NZ$	*NZ$*
Trade receivables	55,470,481	58,311,834
Impairment	(179,455)	(283,536)
	55,291,026	58,028,298

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	2014	**2015**
	NZ$	*NZ$*
Within 1 month	53,615,305	51,532,709
1 to 2 months	707,842	3,744,703
2 to 3 months	729,004	1,289,809
Over 3 months	238,875	1,461,077
	55,291,026	58,028,298

The Target Group's trading terms with its customers are mainly on credit, except for residential customers, where payment in advance is normally required. The credit period is generally within 50 days. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Target Group's trade receivables relate to a large number of diversified customers and there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. They are stated net of provisions.

Trade debtors of NZ$948,226 and NZ$1,293,392 were individually determined to be impaired as at 31 December 2014 and 2015, respectively. The Target Group does not hold any collateral or other credit enhancements over these balances. Movements in the provision for impairment losses are as follows:

	2014	**2015**
	NZ$	*NZ$*
At the beginning of the year/period	—	179,455
Impairment losses recognised *(note 6)*	179,455	154,665
Amount written off as uncollectible	—	(50,584)
At the end of the year/period	179,455	283,536

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2014	**2015**
	NZ$	*NZ$*
Neither past due nor impaired	53,079,703	51,517,759
Past due but not impaired:		
Less than 30 days	643,895	3,144,703
31 to 90 days	637,602	1,289,809
Over 90 days	161,055	1,066,171
	54,522,255	57,018,442

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, the directors of the Target Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral or other credit enhancements over these balances.

	2014	2015
	NZ$	*NZ$*
Trade debtors	52,581,026	55,175,510
Amount due from joint ventures	2,628,000	2,709,843
Amount due from the joint operation	82,000	142,945
	55,291,026	58,028,298

The amounts due from the Target Group's joint ventures and the joint operation are unsecured, interest-free and repayable within 50 days, which is similar to the credit terms offered to the major customers of the Target Group.

20. PREPAYMENTS

	2014	2015
	NZ$	*NZ$*
Prepayments — current portion	1,315,084	1,860,409
Long term prepayments	318,897	1,065,768

The Long term prepayment represented emission units which the Target Group purchased in order to satisfy the obligations in relation to the discharge of methane from the landfills under the Emissions Trading Scheme.

21. ASSETS HELD FOR SALE

Assets classified as held-for-sale are vehicles, trucks and tankers which are built for the purpose of waste management. These are expected to be sold to sub-contractors/owner-drivers operating on Waste Management NZ Limited's behalf within the next twelve months. At 31 December 2014 and 2015, the Target Group classified these assets as held-for-sale assets, and the carrying amounts were NZ$960,606 and NZ$1,432,212, respectively.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2014	2015
	NZ$	*NZ$*
Cash and cash equivalents	56,045,259	96,599,765
Denominated in:		
NZ$	54,913,774	94,896,632
AU$	37,430	289,935
US$	1,094,055	1,413,198
	56,045,259	96,599,765

Cash at banks earns interest at floating rates based on daily bank deposit rates.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Target Group in the normal course of business in order to hedge exposure to fluctuations in foreign currency rates and movements in electricity prices.

24. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods based on the invoice date, is as follows:

	2014	2015
	NZ$	*NZ$*
Within 30 days	24,916,888	26,891,387
31 to 60 days	302,505	1,804,770
61 to 90 days	301,688	1,005,066
Over 90 days	1,937,060	1,089,760
	27,458,141	30,790,983

Included in the trade payables are trade payables of NZ$646,000 and NZ$1,596,262 due to joint ventures, and NZ$367,000 and NZ$505,569 due to the joint operation as at 31 December 2014 and 2015, respectively, which have credit terms similar to those offered by the joint ventures and the joint operation to their major customers.

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

25. OTHER PAYABLES AND ACCRUALS

	2014	2015
	NZ$	*NZ$*
Advanced receipts	25,170,401	24,982,862
Other payables	24,580,493	28,833,870
Due to BCG Chinastar	535,211	17,240,538
	50,286,105	71,057,270

The amounts due to BCG Chinastar mainly represent interest payable related to a loan from a non-controlling shareholder and other funds payables.

26. LOAN FROM A NON-CONTROLLING SHAREHOLDER

The amount bears an annual interest rate at 5% with a maturity date on 1 June 2018 which is due to BCG Chinastar. Further details are included in note 36(b). The loan was non-interest-bearing and had a maturity date on 31 May 2015 as at 31 December 2014 when BCG Chinastar was the immediate holding company of the Target Company.

27. PROVISION

Closure and post-closure provisions

	From 28 March 2014 to 31 December 2014	2015
	NZ$	*NZ$*
At the beginning of the year/period	—	22,874,339
Acquisition of subsidiaries *(note 31)*	24,011,445	423,784
Amounts utilised during the year/period	(94,414)	(856,234)
Reassessment of closure and post-closure provisions *(note 13)*	(1,343,445)	(294,225)
Effect of time value adjustment *(note 7)*	300,753	848,844
At the end of the year/period	22,874,339	22,996,508
Portion classified as current liabilities	—	—
Non-current portion	22,874,339	22,996,508

Provision is made for the future costs of closing the Target Group's landfills at the end of their economic or consented lives and for the associated post-closure costs, being the aftercare of the landfills for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item-by-item basis. The provision held, at the end of each of the Relevant Periods, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining lives of the landfills is performed regularly.

28. DEFERRED TAX LIABILITIES

Deferred tax assets/(liabilities)

2014

	Property, plant and equipment	Other intangible assets	Provision	Other provision and payables	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
At 28 March 2014	—	—	—	—	—
Acquisition of subsidiaries *(note 31)*	(20,928,838)	(34,468,000)	7,746,555	1,842,332	(45,807,951)
Deferred tax (credited)/ charged to the statement of profit or loss during the period *(note 10)*	(581,501)	1,483,975	757,724	1,797,668	3,457,866
Net deferred tax liabilities at 31 December 2014	(21,510,339)	(32,984,025)	8,504,279	3,640,000	(42,350,085)

2015

	Property, plant and equipment *NZ$*	Other intangible assets *NZ$*	Provision *NZ$*	Other provision and payables *NZ$*	Total *NZ$*
At 1 January 2015	(21,510,339)	(32,984,025)	8,504,279	3,640,000	(42,350,085)
Acquisition of subsidiaries *(note 31)*	—	(1,903,720)	—	—	(1,903,720)
Deferred tax (credited)/ charged to the statement of profit or loss during the year *(note 10)*	608,135	2,160,692	63,721	1,092,000	3,924,548
Net deferred tax liabilities at 31 December 2015	(20,902,204)	(32,727,053)	8,568,000	4,732,000	(40,329,257)

29. SHARE CAPITAL

	2014 *NZ$*	2015 *NZ$*
Issued and fully paid:		
389,987,539 ordinary shares	389,987,539	389,987,539

A summary of the movements in the Target Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital *NZ$*
At 28 March 2014		—	—
New issues:	(a)	330,000,000	330,000,000
	(b)	50,000,000	50,000,000
	(b)	9,987,539	9,987,539
At 31 December 2014		389,987,539	389,987,539

Notes:

(a) Share capital amounting to NZ$330,000,000 was settled in cash.

(b) Share capital amounting to NZ$59,987,539 was converted from debt due to BCG Chinastar.

30. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity on page III-7 of the Financial Information.

The Target Group's hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

31. BUSINESS COMBINATIONS

1) Business combination during the period from 28 March 2014 to 31 December 2014

On 30 June 2014, Beijing Capital Group NZ Investment Holding Limited (a subsidiary of the Target Company) acquired a 100% interest in Transpacific Industries Group Finance (NZ) Limited and its subsidiaries from a third party. After the acquisition, Transpacific Industries Group Finance (NZ) Limited was renamed Beijing Capital Waste Management NZ Limited. Beijing Capital Waste Management NZ Limited is engaged in waste management services. The acquisition was made as part of the Target Group's strategy to expand its overseas market share. The purchase consideration for the acquisition was NZ$959,988,000, which was settled in cash.

The fair values of the identifiable assets and liabilities of Beijing Capital Waste Management NZ Limited and its subsidiaries as at the date of acquisition were as follows:

	Fair value recognised on acquisition *NZ$*
Cash and bank balances	9,274,917
Trade receivables	52,280,152
Prepayments	713,826
Inventories	1,684,421
Prepaid tax	2,050,429
Assets held for sale	1,223,400
Derivative financial instruments	885,451
Investments in joint ventures	90,600,000
Property, plant and equipment	261,581,132
Other intangible assets	306,825,000
Other non-current assets	197,058
Trade payables	(24,382,074)
Other payables and accruals	(43,631,951)
Provisions	(24,011,445)
Deferred tax liabilities	(45,807,951)
Total identifiable net assets at fair value	589,482,365
Goodwill on acquisition	370,505,635
Satisfied by cash	959,988,000

The fair values of the trade receivables as at the date of acquisition amounted to NZ$52,280,152. The gross contractual amounts of trade receivables was NZ$52,878,802, of which trade receivables of NZ$598,650 are expected to be uncollectible.

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

	NZ$
Cash consideration	(959,988,000)
Cash paid by BCG Chinastar on behalf of the Target Group	60,522,750
Cash and bank balances acquired	9,274,917
Net outflow of cash and cash equivalents included in cash flows from investing activities	(890,190,333)

Since the acquisition, Beijing Capital Waste Management NZ Limited and its subsidiaries contributed NZ$210,506,487 to the Target Group's revenue and NZ$37,873,432 to the consolidated profit for the period ended 31 December 2014.

2) Business combinations during the year ended 31 December 2015

During the year ended 31 December 2015, the Target Group acquired the following subsidiary and businesses:

(i) On 31 March 2015, Waste Management NZ Limited ("WMNZ"), a wholly-owned subsidiary of the Target Company, acquired the remaining 50% equity interest in Living Earth Limited, a joint venture of the Target Group in 2014, from the other shareholder named Forte Investments 2004 Limited. The acquisition was made as part of the Target Group's strategy to expand its market share in New Zealand. The purchase consideration for the acquisition was NZ$9,801,000.

(ii) On 17 July 2015, WMNZ acquired Gordies Bins from third parties. The acquisition was made as part of the Target Group's strategy to expand its market share in New Zealand. The purchase consideration for the acquisition was NZ$2,300,000, which was settled in cash.

(iii) On 2 July 2015, WMNZ acquired Waste Services Marlborough from a third party. The acquisition was made as part of the Target Group's strategy to expand its market share in New Zealand. The purchase consideration for the acquisition was NZ$2,500,000, which was settled in cash.

The fair values of the identifiable assets and liabilities of the above acquired subsidiary and business as at the respective acquisition dates were as follows:

	Fair value recognised on acquisition			
	Living Earth Limited	Gordies Bins	Waste Services Marlborough	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*
Cash and bank balances	925,871	—	—	925,871
Trade receivables	1,337,978	—	—	1,337,978
Inventories	545,123	—	—	545,123
Prepaid tax	541,117	—	—	541,117
Property, plant and equipment	4,766,252	152,250	369,000	5,287,502
Assets held for sale	—	33,116	—	33,116
Other intangible assets	7,972,000	—	—	7,972,000
Other receivables	23,817	—	—	23,817
Trade payables	(3,168,888)	—	—	(3,168,888)
Bank overdraft	(968,658)	—	—	(968,658)
Provision	(423,784)	—	—	(423,784)
Deferred tax liabilities	(1,903,720)	—	—	(1,903,720)
Total identifiable net assets at fair value	9,647,108	185,366	369,000	10,201,474
Goodwill on acquisition	8,974,792	2,114,634	2,131,000	13,220,426
Satisfied by:				
Cash consideration	8,801,000	2,300,000	2,500,000	13,601,000
Contingent consideration	1,000,000	—	—	1,000,000
Fair value of the equity interest held before acquisition date	8,820,900	—	—	8,820,900
	18,621,900	2,300,000	2,500,000	23,421,900

The Target Group recognised a gain of NZ$4,581,259 as a result of remeasuring to fair value the equity interest of Living Earth Limited held before the acquisition date.

There is an additional consideration payable of NZ$1,000,000 upon occurrence of certain future events for acquiring Living Earth Limited. The relevant events have not yet occurred but it is management's expectation that they will need to pay the full contracted amount of the contingent consideration of NZ$1,000,000 in the future and accordingly the full NZ$1,000,000 has been accrued as a liability.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to NZ$1,337,978 and NZ$23,817, respectively. The gross contractual amounts of trade receivables and other receivable were NZ$1,337,978 and NZ$23,817, respectively, which all are expected to be collectible.

The Target Group incurred transaction costs of NZ$79,994 for these acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

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

	NZ$
Cash consideration	(13,601,000)
Cash and bank balances acquired	925,871
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,675,129)

Since the acquisition, the newly acquired subsidiary and businesses contributed NZ$11,107,236 to the Target Group's revenue and NZ$1,497,224 to the consolidated profit for the year ended 31 December 2015.

Had all the three business combinations taken place at the beginning of the year ended 31 December 2015, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2015 would have been NZ$450,144,970 and NZ$62,516,478, respectively.

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

	From 28 March 2014 to 31 December 2014	**2015**
	NZ$	*NZ$*
Debt converted into share capital	59,987,539	—

33. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods, contingent liabilities not provided for in the Financial Information were as follows:

	2014	**2015**
	NZ$	*NZ$*
Guarantees given to bank in connection with facilities granted to the parent *(note)*	996,470,219	—
Guarantees given to the government in connection with the going concern of landfills	30,870,000	37,674,730
Guarantees given to the government in connection with fulfilling the waste collection contracts and other activities	7,179,000	10,541,178
	1,034,519,219	48,215,908

Note: further details are included in note 36(b) to the Financial Information.

Except for the contingent liabilities mentioned above, the taxation authority in New Zealand continues its reviews of the Target Group's tax position at 31 December 2014 and 2015. The review is on-going and at this time it is too early to identify the adjustments that may arise, if any.

34. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Group leases certain of its office and factory properties and vehicles under operating lease arrangements. Leases for these properties and vehicles are negotiated for terms ranging from 2 to 19 years.

As at the end of each of the Relevant Periods, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	**2015**
	NZ$	*NZ$*
Within one year	8,305,990	8,035,045
In the second to fifth years, inclusive	16,777,351	15,637,008
After five years	8,647,744	8,185,149
	33,731,085	31,857,202

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Target Group had the following capital commitments as at the end of each of the Relevant Periods:

	2014	**2015**
	NZ$	*NZ$*
Contracted, but not provided for:		
Property, plant and equipment	13,039,000	15,272,629

In addition to the above commitments, the Target Group has granted a number of put options to secure additional land surrounding the Redvale landfill. The total commitments amounted to NZ$10,477,000 and NZ$11,090,000 at 31 December 2014 and 2015, respectively.

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the Financial Information, the Target Group had the following material transactions with related parties during the Relevant periods:

		From 28 March 2014 to 31 December 2014	**2015**
	Notes	*NZ$*	*NZ$*
Sale of goods/rendering of services to joint ventures	(i)	14,355,000	27,381,840
Sale of goods/rendering of services to the joint operation	(i)	473,000	999,089
Purchase of goods/receiving services from joint ventures	(ii)	8,408,873	15,978,554
Purchase of goods/receiving services from the joint operation	(ii)	1,499,000	3,622,493

Notes:

(i) The sale of goods/rendering of services to joint ventures and the joint operation were made according to the published prices and conditions offered to the major customers of the Target Group.

(ii) The purchases of goods/rendering of services from joint ventures and the joint operation were made according to the published prices and conditions offered by these joint ventures and the joint operation to their major customers.

(b) Other transactions with related parties

During the period from 28 March 2014 to 31 December 2014, the Target Group were subject to guarantees under which they are guarantors under the BCG Chinastar Bridge Loan Facility. At 31 December 2014, the bridge loan facility outstanding amounted to US$775,800,000 (equivalent to approximately NZ$996,470,219). During the year of 2015, the guarantee was relieved.

During the period from 28 March 2014 to 31 December 2014, the Target Group obtained a loan of NZ$570,000,000 from BCG Chinastar which were non-interest-bearing and had a maturity date on 25 June 2015. During the year of 2015, the loan agreement was rolled over to 1 June 2018 with an annual interest rate of 5%.

(c) Compensation of key management personnel of the Target Company

	From 28 March 2014 to 31 December 2014	**2015**
	NZ$	*NZ$*
Short term employee benefits	1,604,818	3,913,081
Post-employment benefits	43,850	124,827
Total compensation paid to key management personnel	1,648,668	4,037,908

Further details of directors' emoluments are included in note 8 to the Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

2014

Financial assets

	Loans and receivables
	NZ$
Cash and cash equivalents	56,045,259
Trade receivables	55,291,026
	111,336,285

Financial liabilities

	Derivatives designated as effective hedging instruments	**Financial liabilities at amortised cost**	**Total**
	NZ$	*NZ$*	*NZ$*
Derivative financial instruments	82,391	—	82,391
Trade payables	—	27,458,141	27,458,141
Dividend payable	—	30,500,000	30,500,000
Financial liabilities included in other payables	—	14,037,345	14,037,345
Loan from a non-controlling shareholder	—	570,000,000	570,000,000
	82,391	641,995,486	642,077,877

2015

Financial assets

	Derivatives designated as effective hedging instruments	**Loans and receivables**	**Total**
	NZ$	*NZ$*	*NZ$*
Derivative financial instruments	24,031	—	24,031
Cash and cash equivalents	—	96,599,765	96,599,765
Trade receivables	—	58,028,298	58,028,298
	24,031	154,628,063	154,652,094

Financial liabilities

	Financial liabilities at amortised cost
	NZ$
Trade payables	30,790,983
Dividend payable	31,000,000
Financial liabilities included in other payables	27,481,404
Loan from a non-controlling shareholder	570,000,000
	659,272,387

38. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the Target Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2014	**2015**	**2014**	**2015**
	NZ$	*NZ$*	*NZ$*	*NZ$*
Financial assets				
Derivative financial instruments	—	24,031	—	24,031
Financial liabilities				
Derivative financial instruments	82,391	—	82,391	—
Loan from a non-controlling shareholder	—	570,000,000	—	570,000,000
	82,391	570,000,000	82,391	570,000,000

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial liabilities included in other payables and accruals, loan from a non-controlling shareholder approximate to their carrying amounts largely due to the short term maturities of these instruments.

The policies and procedures for the fair value measurements of financial instruments are determined by the Target Group's finance department and are regularly reviewed by senior management.

The BCWMNZ Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, including forward currency contracts and forward power supply agreement, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward. The carrying amounts of forward currency contracts and a forward power supply agreement are the same as their fair values.

As at 31 December 2014 and 2015, the marked to market value of the derivative financial asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	Carrying amount	Total fair value	Fair value measurement categorised into Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Derivative financial assets	24,031	24,031	24,031	—	—

Liabilities measured at fair value:

As at 31 December 2014

	Carrying amount	Total fair value	Fair value measurement categorised into Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Derivative financial liabilities	82,391	82,391	82,391	—	—

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Carrying amount	Total fair value	Fair value measurement categorised into Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Loan from a non-controlling shareholder	570,000,000	570,000,000	—	570,000,000	—

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's exposure to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Target Group's financial management policies and practices described below:

Interest rate risk

There is no interest rate risk exposure, since the Target Group's interest-bearing financial instruments are all with fixed interest rates.

Foreign currency risk

The Target Group has no significant foreign currency risk because its business is principally conducted in New Zealand and most of the transactions are denominated in the Target Group's functional currency. Since the Target Group has used forward currency contracts to eliminate the foreign currency exposures, so foreign currency risk has been minimised.

Credit risk

The carrying amounts of cash and cash equivalents and trade receivables, represent the Target Group's maximum exposure to credit risk in relation to financial assets. Most of the Target Group's cash and cash equivalents are held in major financial institutions located in New Zealand, which management believes are of high credit quality. The Target Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The directors consider that the Target Group does not have a significant concentration of credit risk.

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Financial Information.

Liquidity risk

The Target Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Target Group finances its working capital requirements through a combination of funds generated from operations and borrowings a loan from BCG Chinastar.

The table below summarises the maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments.

	2014			
	On demand	**Less than 3 months**	**3 to 12 months**	**Total**
	NZ$	*NZ$*	*NZ$*	*NZ$*
Trade payables	—	27,458,141	—	27,458,141
Other payables	—	14,037,345	—	14,037,345
Dividend payable	—	9,000,000	21,500,000	30,500,000
Loan from a non-controlling shareholder	—	—	570,000,000	570,000,000
Derivative financial instruments	—	82,391	—	82,391
	—	50,577,877	591,500,000	642,077,877

	2015				
	On demand	**Less than 3 months**	**3 to 12 months**	**Over 12 months**	**Total**
	NZ$	NZ$	NZ$	NZ$	NZ$
Trade payables	—	30,790,983	—	—	30,790,983
Other payables	—	27,481,404	—	—	27,481,404
Dividend payable	—	31,000,000	—	—	31,000,000
Loan from a non-controlling shareholder	—	7,125,000	21,375,000	610,375,000	638,875,000
	—	96,397,387	21,375,000	610,375,000	728,147,387

Capital management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to support business development and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure, the Target Group may adjust its profit distribution to shareholder and return capital to shareholders. No changes in the objectives, policies or processes for managing capital were made during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, amounts due to related parties, trade, bills and other payables and accruals, less cash and cash equivalents. Capital includes convertible bonds and equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	2014	**2015**
	NZ$	*NZ$*
Loan from a non-controlling shareholder	570,000,000	570,000,000
Trade payables	27,458,141	30,790,983
Other payables and accruals	50,286,105	71,057,270
Less: Cash and cash equivalents	(56,045,259)	(96,599,765)
Net debt	591,698,987	575,248,488
Equity attributable to owners of the parent	396,662,232	449,022,030
Capital and net debt	988,361,219	1,024,270,518
Gearing ratio	59.87%	56.16%

40. EVENTS AFTER THE RELEVANT PERIODS

There are no material subsequent events undertaken by the Target Company or the Target Group after the Relevant Periods.

41. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

Information about the statement of financial position of the Target Company as at the end of each of the Relevant Periods is as follows:

	2014	2015
	NZ$	*NZ$*
NON-CURRENT ASSETS		
Loan to a subsidiary	691,453,296	699,513,790
Investment in a subsidiary	272,388,597	272,388,597
Total non-current assets	963,841,893	971,902,387
CURRENT ASSETS		
Prepayments, deposits and other receivables	10,678,356	6,069,567
Dividend receivable	6,000,000	—
Cash and cash equivalents	14,950,703	75,384,365
Due to non-controlling shareholder	—	3,801
Total current assets	31,629,059	81,457,733
CURRENT LIABILITIES		
Loan from a non-controlling shareholder	570,000,000	—
Interest payable	—	16,709,589
Dividend payable	30,500,000	31,000,000
Total current liabilities	600,500,000	47,709,589
NET CURRENT ASSETS/(LIABILITIES)	(568,870,941)	33,748,144
TOTAL ASSETS LESS CURRENT LIABILITIES	394,970,952	1,005,650,531
NON-CURRENT LIABILITIES		
Loan from a non-controlling shareholder	—	570,000,000
Total non-current liabilities	—	570,000,000
Net assets	394,970,952	435,650,531
EQUITY		
Share capital	389,987,539	389,987,539
Other reserves *(note)*	4,983,413	45,662,992
Total equity	394,970,952	435,650,531

Note:

A summary of the Target Company's reserves is as follows:

	Retained profits *NZ$*
At 28 March 2014	—
Profit for the period	35,483,413
Total comprehensive income for the period	35,483,413
Final 2014 dividend declared	(30,500,000)
At 31 December 2014	4,983,413
At 1 January 2015	4,983,413
Profit for the year	50,179,579
Total comprehensive income for the year	50,179,579
Final 2015 dividend declared	(9,500,000)
At 31 December 2015	45,662,992

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

8 June 2016

The Directors
Capital Environment Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Beijing Capital Waste Management NZ Limited ("BCWMNZ") and its subsidiaries (hereinafter collectively referred to as the "BCWMNZ Group") comprising the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the BCWMNZ Group for each of the years ended 30 June 2013 and 2014, six months ended 31 December 2014 and year ended 31 December 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the BCWMNZ Group as at 30 June 2013 and 2014, 31 December 2014 and 2015, together with the notes thereto (the "Financial Information"), for inclusion in the circular of Capital Environment Holdings Limited (the "Company") dated 8 June 2016 (the "Circular") in connection with the Company's proposed acquisition of 51% equity interest of BCG NZ Investment Holding Limited (the "Target Company"), the holding company of the BCWMNZ (the "Acquisition").

BCWMNZ formerly named as Transpacific Industries Group Finance (NZ) Limited before 30 June 2014 was incorporated in New Zealand as a company with limited liability on 5 April 2006.

As at the date of this report, BCWMNZ has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the BCWMNZ Group have adopted 31 December as their financial year end date since 1 July 2014. The statutory financial statements of the companies now comprising the BCWMNZ Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the BCWMNZ Group (the "Underlying Financial Statements") 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 (the "HKICPA"). The Underlying Financial Statements for each of Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors of the Target Company are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the BCWMNZ Group as at 30 June 2013 and 2014, 31 December 2014 and 2015, and of the consolidated financial performance and cash flows of the BCWMNZ Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(a) Consolidated Statements of Profit or Loss

	Section II Notes	Year ended 30 June 2013 NZ$	Year ended 30 June 2014 NZ$	Six months ended 31 December 2014 NZ$	Year ended 31 December 2015 NZ$
REVENUE	5	344,382,171	378,144,366	210,506,487	445,437,539
Cost of sales		(256,023,275)	(274,574,112)	(145,101,744)	(306,310,076)
Gross profit		88,358,896	103,570,254	65,404,743	139,127,463
Other income and gains	5	17,827,584	14,463,322	334,600	8,330,792
Administrative expenses		(37,652,381)	(44,039,914)	(29,486,735)	(61,083,047)
Other expenses		(2,305,592)	(10,453,817)	(179,455)	(189,750)
Finance costs	7	(37,676,144)	(28,951,625)	(11,898,544)	(19,756,074)
Share of profits and losses of joint ventures		5,337,228	11,716,933	8,578,927	11,666,784
PROFIT BEFORE TAX	6	33,889,591	46,305,153	32,753,536	78,096,168
Income tax expense	10	(4,451,974)	(9,941,441)	(6,575,670)	(19,123,372)
PROFIT FOR THE YEAR/ PERIOD		29,437,617	36,363,712	26,177,866	58,972,796
Attributable to:					
Owners of the parent		29,437,617	36,363,712	26,177,866	58,972,796

(b) Consolidated Statements of Comprehensive Income

	Year ended 30 June 2013 NZ$	Year ended 30 June 2014 NZ$	Six months ended 31 December 2014 NZ$	Year ended 31 December 2015 NZ$
PROFIT FOR THE YEAR/ PERIOD	29,437,617	36,363,712	26,177,866	58,972,796
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments arising during the year/period	502,924	(379,503)	(708,770)	20,220
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Gains on property revaluation	—	3,555,929	—	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD, NET OF TAX	502,924	3,176,426	(708,770)	20,220
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD	29,940,541	39,540,138	25,469,096	58,993,016
Attributable to:				
Owners of the parent	29,940,541	39,540,138	25,469,096	58,993,016

(c) Consolidated Statements of Financial Position

	Section II *Notes*	30 June 2013 *NZ$*	30 June 2014 *NZ$*	31 December 2014 *NZ$*	31 December 2015 *NZ$*
NON-CURRENT ASSETS					
Property, plant and equipment	13	223,475,480	261,581,131	257,621,835	270,351,739
Goodwill	14	495,162,821	502,379,567	502,379,567	515,599,993
Other intangible assets	15	1,946,302	1,617,315	1,281,077	9,238,285
Investments in joint ventures	16	19,362,190	24,446,000	28,914,927	29,981,618
Prepayments	20	209,408	206,581	318,897	1,065,768
Derivative financial instruments	23	857,182	252,051	—	—
Total non-current assets		741,013,383	790,482,645	790,516,303	826,237,403
CURRENT ASSETS					
Inventories	18	1,476,867	1,684,422	1,814,171	2,220,742
Trade receivables	19	36,297,410	49,434,252	55,291,026	58,028,298
Prepayments, deposits and other receivables	20	79,062,330	3,559,726	3,879,481	5,760,683
Prepaid income tax		2,900,575	2,050,179	—	—
Assets held for sale	21	978,482	1,223,342	960,606	1,432,212
Derivative financial instruments	23	835,630	633,040	—	24,031
Cash and cash equivalents	22	11,611,592	9,274,917	30,940,754	20,656,385
Total current assets		133,162,886	67,859,878	92,886,038	88,122,351
CURRENT LIABILITIES					
Derivative financial instruments	23	288,539	—	82,391	—
Trade payables	24	20,073,643	27,958,334	27,458,141	30,790,983
Other payables and accruals	25	336,358,139	277,295,892	274,986,439	235,807,251
Tax payable		—	—	5,873,147	13,585,844
Finance lease payables	26	2,512,357	—	—	—
Convertible bonds	27	5,863,866	—	—	—
Total current liabilities		365,096,544	305,254,226	308,400,118	280,184,078
NET CURRENT LIABILITIES		(231,933,658)	(237,394,348)	(215,514,080)	(192,061,727)
TOTAL ASSETS LESS CURRENT LIABILITIES		509,079,725	553,088,297	575,002,223	634,175,676

	Section II *Notes*	30 June 2013 *NZ$*	30 June 2014 *NZ$*	31 December 2014 *NZ$*	31 December 2015 *NZ$*
TOTAL ASSETS LESS CURRENT LIABILITIES		509,079,725	553,088,297	575,002,223	634,175,676
NON-CURRENT LIABILITIES					
Finance lease payables	26	5,931,451	—	—	—
Deferred tax liabilities	28	2,318,546	11,784,124	9,366,060	9,424,328
Provision	29	23,077,138	24,011,445	22,874,339	22,996,508
Total non-current liabilities		31,327,135	35,795,569	32,240,399	32,420,836
Net assets		477,752,590	517,292,728	542,761,824	601,754,840
EQUITY					
Equity attributable to owners of the parent					
Share capital	30	477,490,000	579,421,989	579,421,989	579,421,989
Equity component of convertible bonds	27	101,931,989	—	—	—
Other reserves	31	(101,669,399)	(62,129,261)	(36,660,165)	22,332,851
Total equity		477,752,590	517,292,728	542,761,824	601,754,840

(d) Consolidated Statements of Changes in Equity

	Section II Notes	Share capital NZ$	Convertible bonds — equity portion NZ$	Assets revaluation reserve*# NZ$	Hedging reserve* NZ$	Retained profits/ (accumulated losses)* NZ$	Total equity NZ$
At 1 July 2012		477,490,000	101,931,989	3,023,345	507,156	(135,140,441)	447,812,049
Profit for the year		—	—	—	—	29,437,617	29,437,617
Other comprehensive income for the year:							
Changes in fair value of cash flow hedge		—	—	—	502,924	—	502,924
Total comprehensive income for the year		—	—	—	502,924	29,437,617	29,940,541
At 30 June 2013		477,490,000	101,931,989	3,023,345	1,010,080	(105,702,824)	477,752,590
Profit for the year		—	—	—	—	36,363,712	36,363,712
Other comprehensive income for the year:							
Changes in fair value of cash flow hedge		—	—	—	(379,503)	—	(379,503)
Gains on property revaluation		—	—	3,555,929	—	—	3,555,929
Total comprehensive income for the year		—	—	3,555,929	(379,503)	36,363,712	39,540,138
Conversion of convertible bonds	30	101,931,989	(101,931,989)	—	—	—	—
At 30 June 2014		579,421,989	—	6,579,274	630,577	(69,339,112)	517,292,728
Profit for the period		—	—	—	—	26,177,866	26,177,866
Other comprehensive income for the period:							
Changes in fair value of cash flow hedge		—	—	—	(708,770)	—	(708,770)
Total comprehensive income for the period		—	—	—	(708,770)	26,177,866	25,469,096
At 31 December 2014		579,421,989	—	6,579,274	(78,193)	(43,161,246)	542,761,824
Profit for the year		—	—	—	—	58,972,796	58,972,796
Other comprehensive income for the year:							
Changes in fair value of cash flow hedge		—	—	—	20,220	—	20,220
Total comprehensive income for the year		—	—	—	20,220	58,972,796	58,993,016
At 31 December 2015		579,421,989	—	6,579,274	(57,973)	15,811,550	601,754,840

* *These reserve accounts comprise the consolidated reserves of NZ$(101,669,399), NZ$(62,129,261), NZ$(36,660,165) and NZ$22,332,851 in the consolidated statements of financial position as at the end of each of the Relevant Periods, respectively.*

\# *The asset revaluation reserve arose from changes in fair value of freehold land.*

(e) Consolidated Statement of Cash Flows

	Section II Notes	Year ended 30 June 2013 NZ$	Year ended 30 June 2014 NZ$	Six months ended 31 December 2014 NZ$	Year ended 31 December 2015 NZ$
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		33,889,591	46,305,153	32,753,536	78,096,168
Adjustments for:					
Finance costs	7	37,676,144	28,951,625	11,898,544	19,756,074
Share of profits and losses of joint ventures		(5,337,228)	(11,716,933)	(8,578,927)	(11,666,784)
Interest income	5	(14,183,876)	(13,577,727)	(180,899)	(1,016,417)
(Gain)/loss on disposal of items of property, plant and equipment	6	(939,486)	3,041,987	(81,502)	(792,821)
Gain on step acquisition	6	—	—	—	(6,494,679)
Depreciation	6	31,940,045	34,577,115	19,440,649	38,325,228
Amortisation of other intangible assets	6	928,428	920,443	343,360	1,610,058
Impairment of trade receivables	6	320,389	779,383	179,455	154,665
		84,294,007	89,281,046	55,774,216	117,971,492
(Increase)/decrease in inventories		(142,887)	273,659	(129,749)	138,553
(Increase)/decrease in trade receivables		11,333	(4,323,681)	(6,036,229)	(1,553,959)
(Increase)/decrease in prepayments, deposits and other receivables		(105,117)	38,847	(319,755)	(2,604,256)
(Increase)/decrease in assets held for sale		(409,382)	(244,860)	262,736	(438,490)
Increase/(decrease) in trade payables		2,121,841	(171,904)	(500,193)	163,954
Increase/(decrease) in other payables and accruals		(1,155,726)	2,617,786	14,172,690	5,914,326
Increase/(decrease) in provisions		(70,638)	(381,184)	(94,359)	(856,234)
Proceeds from bad debts recovered		76,846	69,907	—	—
Cash generated from operations		84,620,277	87,159,616	63,129,357	118,735,386
Interest received		273,581	209,778	180,899	1,016,417
Tax paid		—	—	(2,856,123)	(13,256,385)
Net cash flows from operating activities		84,893,858	87,369,394	60,454,133	106,495,418

	Section II Notes	Year ended 30 June 2013 NZ$	Year ended 30 June 2014 NZ$	Six months ended 31 December 2014 NZ$	Year ended 31 December 2015 NZ$
Net cash flows from operating activities		84,893,858	87,369,394	60,454,133	106,495,418
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from joint ventures		4,616,018	6,086,635	4,110,000	8,209,825
Rebates received from joint ventures		532,000	440,500	—	—
Proceeds from disposal of joint ventures		1,223,983	—	—	—
Proceeds from disposal of operations		465,228	—	—	—
Purchases of items of property, plant and equipment		(36,680,868)	(53,920,025)	(17,013,178)	(49,357,975)
Proceeds from disposal of items of property, plant and equipment		4,404,174	6,900,675	245,558	2,555,736
Additions to other intangible assets		—	—	—	(74,864)
Acquisition of subsidiaries		(600,000)	9,410,930	—	(12,675,129)
Net cash flows used in investing activities		(26,039,465)	(31,081,285)	(12,657,620)	(51,342,407)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of a bank overdraft		—	—	—	(968,658)
Finance lease rental payment		(2,272,731)	(8,443,808)	—	—
Repayment of loans from related parties		(37,820,893)	(36,000,000)	(20,314,127)	(43,379,425)
Interest received		13,684,490	13,577,727	—	—
Interest paid		(36,460,599)	(27,758,703)	(5,816,549)	(21,089,297)
Net cash flows used in financing activities		(62,869,733)	(58,624,784)	(26,130,676)	(65,437,380)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,015,340)	(2,336,675)	21,665,837	(10,284,369)
Cash and cash equivalents at beginning of year/period		15,626,932	11,611,592	9,274,917	30,940,754
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		11,611,592	9,274,917	30,940,754	20,656,385
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	22	11,611,592	9,274,917	30,940,754	20,656,385

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

BCWMNZ was incorporated as a limited liability company on 5 April 2006 in New Zealand. The registered office of BCWMNZ is located at 86 Lunn Avenue, Mt Wellington, Auckland.

BCWMNZ is an investment holding company. During the Relevant Periods, BCWMNZ's subsidiaries were involved in waste management services.

On 30 June 2014, Beijing Capital Group NZ Investment Holding Limited (a wholly-owned subsidiary of the Target Company) acquired a 100% interest in the BCWMNZ Group from Transpacific Industries Group Limited, an independent third party. After the acquisition, the financial year end date of the BCWMNZ Group was changed from 30 June to 31 December. The change is to align the financial year end date of the BCWMNZ Group with that of the Target Company.

As at 31 December 2015, BCWMNZ had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to BCWMNZ		Principal activities
			Direct	Indirect	
Waste Management NZ Limited	New Zealand	—	100	—	Waste management services
Living Earth Limited	New Zealand	—	—	100	Non-trading
Gordies Bins Limited	New Zealand	—	—	100	Non-trading
Waste Services Marlborough Limited	New Zealand	—	—	100	Non-trading
Waste Care Limited	New Zealand	—	—	100	Non-trading
Tartan Industries Limited	New Zealand	—	—	100	Non-trading
Waste Disposal Services Limited	New Zealand	—	—	100	Non-trading
General Rubbish Collection Limited	New Zealand	—	—	100	Non-trading
Flexi-Bin Limited	New Zealand	—	—	100	Non-trading
Sunshine Garden Bag and Bin Company Limited	New Zealand	—	—	100	Non-trading
Budget Bins Limited	New Zealand	—	—	100	Non-trading
Waste Management All Brite Limited	New Zealand	—	—	100	Non-trading
Healthcare Waste Limited	New Zealand	—	—	100	Non-trading
Waste Management Limited	New Zealand	—	—	100	Non-trading
The Wheelibin Company Limited	New Zealand	—	—	100	Non-trading
Get-A-Bin Limited	New Zealand	—	—	100	Non-trading
Eastern Bins Limited	New Zealand	—	—	100	Non-trading
Waste Management Collections Limited	New Zealand	—	—		Non-trading
BCG Waste Management Limited	New Zealand	—	—	100	Non-trading
Canterbury Waste Services Limited	New Zealand	—	—	100	Non-trading

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to BCWMNZ Direct	Indirect	Principal activities
Recycle New Zealand Limited	New Zealand	—	—	100	Non-trading
Otago Waste Services Limited	New Zealand	—	—	100	Non-trading
ERS New Zealand Limited	New Zealand	—	—	100	Non-trading
Canterbury Material Recovery Facilities Limited	New Zealand	—	—	100	Non-trading
Waste Management Solutions (NZ) Limited	New Zealand	—	—	100	Non-trading
Waste Management Recycling Limited	New Zealand	—	—	100	Non-trading
Waste Management Technical Services Limited	New Zealand	—	—	100	Non-trading

Note:

The subsidiaries of BCWMNZ were incorporated in New Zealand as limited liability companies. The statutory financial statements of this entity and its subsidiaries for the year ended 30 June 2013 prepared under New Zealand Generally Accepted Accounting Practice were audited by Ernst & Young member firm in New Zealand, certified public accountants registered in New Zealand. No audited financial statements have been prepared for these entities for the year ended 30 June 2014, six months ended 31 December 2014, and year ended 31 December 2015, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been early adopted by the BCWMNZ Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for derivative financial instruments and freehold land classified as property, plant and equipment which have been measured at fair value. The Financial Information is presented in New Zealand dollars ("NZ$").

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The BCWMNZ Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the BCWMNZ Group

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

Further information about those HKFRSs that are expected to be applicable to the BCWMNZ Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The BCWMNZ Group expects to adopt HKFRS 9 from 1 January 2018. The BCWMNZ Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The BCWMNZ Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the BCWMNZ Group upon adoption on 1 January 2016.

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 standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The BCWMNZ Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The BCWMNZ Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the BCWMNZ Group's Financial Information.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the BCWMNZ Group upon adoption on 1 January 2016 as the BCWMNZ Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The BCWMNZ Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the BCWMNZ Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Investments in joint operations

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(ii) has significant influence over the BCWMNZ Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Except that the depreciation of landfill development costs is based on the portion used in the financial period as compared to the total anticipated waste volume of the landfill concerned, depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	4.00% to 6.67%
Machinery and equipment	6.67% to 20.00%
Motor vehicles	6.67% to 33.33%
Office equipment	20.00% to 33.33%
Leasehold improvements	10.00% to 33.33%

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

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

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

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

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

Customer contracts

Customer contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 9 to 19 years.

Licences

Licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 27 years.

Trade name

Trade name is an intangible asset with an indefinite useful life and it is not amortised but tested for impairment annually.

Build-operate-transfer contracts

Intangible assets acquired through build-operate-transfer contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 10 years.

Leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Financial liabilities

Initial recognition and measurement

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

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

The BCWMNZ Group's financial liabilities include trade and other payables, amounts due to related parties, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

At the inception of a hedge relationship, the BCWMNZ Group formally designates and documents the hedge relationship to which the BCWMNZ Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the BCWMNZ Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Fair value hedges

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

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

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

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

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

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

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

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

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

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

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

Contracts for services

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

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

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

Employee benefits

The liability for employee benefits comprises principally outstanding wages, salaries, payroll taxes, annual, statutory and long service leave accruals payable at the end of the Relevant Periods. Annual leave and sick leave are recorded at the undiscounted amount expected to be paid for the entitlement earned. For sick leave, this is based on the unused entitlement accumulated at the end of the Relevant Periods and expected to be utilised in the future.

The employees of the BCWMNZ Group's subsidiaries which operate in New Zealand are entitled to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 3% of its payroll costs as a compulsory contribution for all enrolled members to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

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

Final dividends are recognised as a liability when they are approved by the shareholders and proposed final dividends are disclosed in the notes to the Financial Information.

Foreign currencies

These financial statements are presented in New Zealand dollars, which is the BCWMNZ Group's functional currency. Transactions in foreign currencies are translated into the functional currency of the BCWMNZ Group using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Contingent liabilities

In the opinion of the BCWMNZ Group's directors, the contingent liabilities related to guarantees providing to bank and government are not the present obligation of the BCWMNZ Group according to guarantee contracts and the probability to undertake the obligations is low. The Group has not made any provision for these in consolidated statement financial position. Details are set out in note 33 to the financial statement.

Estimation uncertainty

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

Impairment of non-current assets other than financial assets (other than goodwill)

The BCWMNZ Group assesses whether there are any indicators of impairment for all non-financial and non-current assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The BCWMNZ Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the BCWMNZ Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were NZ$495,162,821, NZ$502,379,567, NZ$502,379,567 and NZ$515,599,993 as at the end of each Relevant Periods respectively. Further details are given in note 14 to the Financial Information.

Income tax

When providing for income tax, as a result of certain issues on income tax has yet to be confirmed by the tax authorities, estimation has to be made on the basis of the existing tax laws and regulations and other relevant policies. If the relevant matters affecting final tax result are different from the estimation amount, the difference will affect the current income tax.

Estimated useful lives and residual value of fixed assets

When estimating useful lives and residual value of fixed assets, the following factors are considered: innovation and improvement, the market demand of products or services related to asset changes which results in the outdatedness of the technical or commercial, intended use of the assets, physical abrasion, maintenance of assets, the laws about the use of assets or similar restrictions. The estimate of useful lives of the relevant assets is based on the BCWMNZ Group's experience of using similar assets in a similar condition. The estimated life of the landfill asset is dependent on both the resource consent period and estimated time to reach full capacity of the landfill. If the useful lives and residual value of fixed assets are inconsistent with previous estimates, the depreciation may need to be adjusted. The useful lives and residual value will be reviewed at each year end.

Impairment of trade receivables

Provision for bad debts is made by management for trade receivable. It is estimated according to customers' credit history and current market conditions. Management will re-evaluate the estimate on each balance sheet date, and the differences will affect book value and bad debt of trade receivables if the re-evaluated amount is different from previous estimates.

Provisions for site restoration

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

Future landfill site restoration and aftercare costs provided for are initially capitalised in the statement of financial position. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non-current assets in the statement of financial position.

4. SEGMENT INFORMATION

All the BCWMNZ Group's operations are located and carried out in New Zealand, and all the revenue and operating results of the BCWMNZ Group are derived from waste management services. Accordingly, no segment information by business and geographical segments is presented.

The BCWMNZ Group's revenue from external customers is derived solely from its operations in New Zealand, and no non-current assets of the BCWMNZ Group are located outside New Zealand.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net sales from collections, landfill, recycling, technical services of waste management.

An analysis of revenue, other income and gains are as follows:

	Year ended 30 June 2013 *NZ$*	Year ended 30 June 2014 *NZ$*	Six months ended 31 December 2014 *NZ$*	Year ended 31 December 2015 *NZ$*
REVENUE				
Collections	247,031,026	263,609,134	132,037,993	278,139,811
Landfill	64,267,202	72,854,948	45,752,779	94,130,157
Recycling	32,118,580	30,653,810	12,405,176	25,312,758
Technical Services	—	11,026,474	19,077,043	46,462,682
Others	965,363	—	1,233,496	1,392,131
	344,382,171	378,144,366	210,506,487	445,437,539
Other income				
Bank interest income	273,581	209,778	180,899	1,016,417
Other interest income	13,910,295	13,367,949	—	—
Dividend from joint ventures	325,990	10,028	—	—
Rebates from joint ventures	532,000	425,000	—	—
Others	580,602	450,567	—	—
	15,622,468	14,463,322	180,899	1,016,417
Gains				
Gain on foreign exchange	—	—	72,199	26,875
Gain on disposal of items of property plant and equipment	939,486	—	81,502	792,821
Gain on step acquisition	—	—	—	6,494,679
Gain on disposal of a joint venture	1,218,983	—	—	—
Others	46,647	—	—	—
	2,205,116	—	153,701	7,314,375
	17,827,584	14,463,322	334,600	8,330,792

6. PROFIT BEFORE TAX

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

	Year ended 30 June 2013	Year ended 30 June 2014	Six months ended 31 December 2014	Year ended 31 December 2015
	NZ$	*NZ$*	*NZ$*	*NZ$*
Cost of services provided	256,023,275	274,574,112	145,101,744	306,310,076
Depreciation	31,940,045	34,577,115	19,440,649	38,325,228
Amortisation of other intangible assets	928,428	920,443	343,360	1,610,058
Minimum lease payments under operating leases in respect of office equipment, properties and vehicles	6,182,005	6,854,912	2,642,128	4,654,740
Auditors' remuneration	—	—	187,000	355,247
Staff costs (excluding directors' remuneration *(note 8)*):				
Wages and salaries	49,095,524	57,371,822	37,766,485	79,522,113
Pension scheme contributions	633,754	1,163,021	817,469	1,841,636
	49,729,278	58,534,843	38,583,954	81,363,749
Gain on step acquisition	—	—	—	(6,494,679)
Bank interest income	(273,581)	(209,778)	(180,899)	(1,016,417)
Other interest income	(13,910,295)	(13,367,949)	—	—
Gain on disposal of a joint venture	(1,218,983)	—	—	—
(Gain)/loss on disposal of items of property, plant and equipment	(939,486)	3,041,987	(81,502)	(792,821)
Impairment of trade receivables *(note 19)*	320,389	779,383	179,455	154,665
Foreign exchange differences, net	2,067,750	7,013,786	(72,199)	(26,875)
Management fee	13,527,426	17,885,074	—	—

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 30 June 2013 *NZ$*	Year ended 30 June 2014 *NZ$*	Six months ended 31 December 2014 *NZ$*	Year ended 31 December 2015 *NZ$*
Interest on bank loans, overdrafts and other loans (including convertible bonds)	37,450,275	27,467,781	11,597,791	18,907,230
Interest in finance lease	959,540	601,593	—	—
Other finance costs:				
(Decrease)/increase in discounted amounts of provisions arising from the passage of time *(note 29)*	(733,671)	882,251	300,753	848,844
	37,676,144	28,951,625	11,898,544	19,756,074

8. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to BCWMNZ during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration during the Relevant Periods of the five highest paid employees who are neither a director nor chief executive of BCWMNZ are as follows:

	Year ended 30 June 2013 *NZ$*	Year ended 30 June 2014 *NZ$*	Six months ended 31 December 2014 *NZ$*	Year ended 31 December 2015 *NZ$*
Salaries, allowances and benefits in kind	1,532,501	2,026,672	860,022	1,782,966
Performance related bonuses	266,415	914,728	201,351	470,544
Pension scheme contributions	37,815	88,242	31,841	91,060
	1,836,731	3,029,642	1,093,214	2,344,570

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 30 June 2013	Year ended 30 June 2014	Six months ended 31 December 2014	Year ended 31 December 2015
Nil to HK$1,000,000	—	—	4	—
HK$1,000,001 to HK$1,500,000	1	—	—	—
HK$1,500,001 to HK$2,000,000	3	1	1	1
Over HK$2,000,000	1	4	—	4
	5	5	5	5

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the BCWMNZ Group did not generate any assessable profits in Hong Kong during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the BCWMNZ Group operates.

	Year ended 30 June 2013	Year ended 30 June 2014	Six months ended 31 December 2014	Year ended 31 December 2015
	NZ$	*NZ$*	*NZ$*	*NZ$*
Current — New Zealand				
Charge for the year/period	(2,425,066)	1,158,811	9,074,535	18,817,724
Adjustment for prior year/period	(31,310)	(1,140,904)	(345,265)	2,151,358
Deferred tax credit for the year/period *(note 28)*	6,908,350	9,923,534	(2,153,600)	(1,845,710)
Tax charge for the year/period	4,451,974	9,941,441	6,575,670	19,123,372

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

	Year ended 30 June 2013		Year ended 30 June 2014		Six months ended 31 December 2014		Year ended 31 December 2015	
	NZ$	*%*	*NZ$*	*%*	*NZ$*	*%*	*NZ$*	*%*
Profit before tax	33,889,591		46,305,153		32,753,536		78,096,168	
Tax at the statutory tax rate	9,489,085	28.0	12,965,443	28.0	9,170,990	28.0	21,866,927	28.0
Income not subject to tax	(5,184,255)	(15.3)	(2,074,758)	(4.5)	(1,251,323)	(3.8)	(2,760,506)	(3.5)
Expenses not deductible for tax	178,454	0.5	191,660	0.4	170,963	0.5	93,010	0.1
Adjustments in respect of current tax of previous periods	(31,310)	(0.1)	(1,140,904)	(2.5)	(345,265)	(1.1)	2,151,358	2.8
Tax credits utilised by (from) another group entity	—	—	—	—	(1,169,695)	(3.6)	(2,308,109)	(3.0)
Others	—	—	—	—	—	—	80,692	0.1
Tax charge at the BCWMNZ Group's effective rate	4,451,974	13.1	9,941,441	21.4	6,575,670	20.0	19,123,372	24.5

11. DIVIDENDS

No dividends were declared to shareholders of BCWMNZ in accordance with the resolution of board of directors during the Relevant Periods.

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Landfill development	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*
30 June 2013									
At the beginning of the year:									
Cost	18,804,787	85,775,129	23,603,695	161,835,463	76,528,327	7,422,679	6,609,101	8,998,200	389,577,381
Accumulated depreciation	—	(27,258,380)	(6,765,873)	(79,707,621)	(40,981,306)	(6,304,596)	(2,764,451)	—	(163,782,227)
Net carrying amount	18,804,787	58,516,749	16,837,822	82,127,842	35,547,021	1,118,083	3,844,650	8,998,200	225,795,154
At the beginning of the year, net of accumulated depreciation	18,804,787	58,516,749	16,837,822	82,127,842	35,547,021	1,118,083	3,844,650	8,998,200	225,795,154
Additions	—	—	—	—	—	—	—	36,680,868	36,680,868
Acquisition of subsidiaries *(note 32)*	—	—	—	—	271,013	1,000	—	—	272,013
Depreciation provided during the year	—	(5,701,164)	(1,186,914)	(15,791,061)	(8,500,336)	(310,063)	(450,507)	—	(31,940,045)
Disposals	(1,663,954)	—	—	(1,067,143)	(709,152)	(20,610)	(3,829)	—	(3,464,688)
Others *(note 29(a))*	—	(3,867,822)	—	—	—	—	—	—	(3,867,822)
Transfers	2,482,167	2,967,646	8,387	15,038,101	12,080,756	322,151	73,686	(32,972,894)	—
At 30 June 2013, net of accumulated depreciation	19,623,000	51,915,409	15,659,295	80,307,739	38,689,302	1,110,561	3,464,000	12,706,174	223,475,480
At 30 June 2013:									
Cost	19,623,000	84,845,410	23,632,128	173,104,185	86,646,041	7,613,790	6,684,285	12,706,174	414,855,013
Accumulated depreciation	—	(32,930,001)	(7,972,833)	(92,796,446)	(47,956,739)	(6,503,229)	(3,220,285)	—	(191,379,533)
Net carrying amount	19,623,000	51,915,409	15,659,295	80,307,739	38,689,302	1,110,561	3,464,000	12,706,174	223,475,480
30 June 2014									
At the beginning of the year:									
Cost	19,623,000	84,845,410	23,632,128	173,104,185	86,646,041	7,613,790	6,684,285	12,706,174	414,855,013
Accumulated depreciation	—	(32,930,001)	(7,972,833)	(92,796,446)	(47,956,739)	(6,503,229)	(3,220,285)	—	(191,379,533)
Net carrying amount	19,623,000	51,915,409	15,659,295	80,307,739	38,689,302	1,110,561	3,464,000	12,706,174	223,475,480
At the beginning of the year, net of accumulated depreciation	19,623,000	51,915,409	15,659,295	80,307,739	38,689,302	1,110,561	3,464,000	12,706,174	223,475,480
Additions	—	—	—	—	—	—	—	53,920,025	53,920,025
Acquisition of subsidiaries *(note 32)*	12,758,000	—	9,874,398	3,273,438	1,688,089	49,753	—	1,128,485	28,772,163
Depreciation provided during the year	—	(6,504,190)	(1,344,599)	(16,599,642)	(9,265,742)	(274,736)	(588,206)	—	(34,577,115)
Disposals	(819,671)	—	(4,731,067)	666,838	(4,622,871)	(311,416)	(124,475)	—	(9,942,662)
Others *(note 29(a))*	—	433,240	—	—	—	(500,000)	—	—	(66,760)
Transfers	3,518,567	11,581,987	576,400	18,803,007	14,301,597	157,751	306,607	(49,245,916)	—
At 30 June 2014, net of accumulated depreciation	35,079,896	57,426,446	20,034,427	86,451,380	40,790,375	231,913	3,057,926	18,508,768	261,581,131
At 30 June 2014:									
Cost	35,079,896	96,860,637	27,948,687	198,502,236	98,132,475	7,582,437	6,755,309	18,508,768	489,370,445
Accumulated depreciation	—	(39,434,191)	(7,914,260)	(112,050,856)	(57,342,100)	(7,350,524)	(3,697,383)	—	(227,789,314)
Net carrying amount	35,079,896	57,426,446	20,034,427	86,451,380	40,790,375	231,913	3,057,926	18,508,768	261,581,131

	Freehold land	Landfill development	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*
31 December 2014									
At the beginning of the period:									
Cost	35,079,896	96,860,637	27,948,687	198,502,236	98,132,475	7,582,437	6,755,309	18,508,768	489,370,445
Accumulated depreciation	—	(39,434,191)	(7,914,260)	(112,050,856)	(57,342,100)	(7,350,524)	(3,697,383)	—	(227,789,314)
Net carrying amount	35,079,896	57,426,446	20,034,427	86,451,380	40,790,375	231,913	3,057,926	18,508,768	261,581,131
At the beginning of the period, net of accumulated depreciation	35,079,896	57,426,446	20,034,427	86,451,380	40,790,375	231,913	3,057,926	18,508,768	261,581,131
Additions	35,681	129,796	288,514	7,403,323	2,227,715	122,915	684,076	6,121,103	17,013,123
Depreciation provided during the period	—	(4,183,214)	(874,401)	(8,681,612)	(5,225,452)	(145,523)	(330,447)	—	(19,440,649)
Disposals	—	—	—	(187,005)	(1,320)	—	—	—	(188,325)
Others *(note 29(a))*	—	(1,343,445)	—	—	—	—	—	—	(1,343,445)
At 31 December 2014, net of accumulated depreciation	35,115,577	52,029,583	19,448,540	84,986,086	37,791,318	209,305	3,411,555	24,629,871	257,621,835
At 31 December 2014:									
Cost	35,115,577	95,646,988	28,237,201	205,718,554	100,358,870	7,705,352	7,439,385	24,629,871	504,851,798
Accumulated depreciation	—	(43,617,405)	(8,788,661)	(120,732,468)	(62,567,552)	(7,496,047)	(4,027,830)	—	(247,229,963)
Net carrying amount	35,115,577	52,029,583	19,448,540	84,986,086	37,791,318	209,305	3,411,555	24,629,871	257,621,835
31 December 2015									
At the beginning of the year:									
Cost	35,115,577	95,646,988	28,237,201	205,718,554	100,358,870	7,705,352	7,439,385	24,629,871	504,851,798
Accumulated depreciation	—	(43,617,405)	(8,788,661)	(120,732,468)	(62,567,552)	(7,496,047)	(4,027,830)	—	(247,229,963)
Net carrying amount	35,115,577	52,029,583	19,448,540	84,986,086	37,791,318	209,305	3,411,555	24,629,871	257,621,835
At the beginning of the year, net of accumulated depreciation	35,115,577	52,029,583	19,448,540	84,986,086	37,791,318	209,305	3,411,555	24,629,871	257,621,835
Additions	—	—	—	—	—	—	—	49,357,975	49,357,975
Acquisition of subsidiaries *(note 32)*	—	2,491,894	—	1,908,713	543,264	57,723	285,908	—	5,287,502
Depreciation provided during the year	—	(7,651,064)	(1,549,713)	(17,966,888)	(10,081,513)	(324,859)	(751,191)	—	(38,325,228)
Disposals	(1,701,345)	—	(1,088,638)	(249,606)	(178,825)	(77,217)	(489)	—	(3,296,120)
Others *(note 29(a))*	—	(294,225)	—	—	—	—	—	—	(294,225)
Transfers	—	8,089,827	807,544	19,615,601	18,101,937	408,615	581,932	(47,605,456)	—
At 31 December 2015, net of accumulated depreciation	33,414,232	54,666,015	17,617,733	88,293,906	46,176,181	273,567	3,527,715	26,382,390	270,351,739
At 31 December 2015:									
Cost	33,414,232	105,934,484	26,904,903	225,901,436	118,348,178	7,991,417	8,239,230	26,382,390	553,116,270
Accumulated depreciation	—	(51,268,469)	(9,287,170)	(137,607,530)	(72,171,997)	(7,717,850)	(4,711,515)	—	(282,764,531)
Net carrying amount	33,414,232	54,666,015	17,617,733	88,293,906	46,176,181	273,567	3,527,715	26,382,390	270,351,739

The net carrying amount of the BCWMNZ Group's fixed assets held under finance leases included in the total amounts of machinery and equipment at 30 June 2013 was NZ$8,176,247.

14. GOODWILL

	30 June 2013 *NZ$*	30 June 2014 *NZ$*	31 December 2014 *NZ$*	31 December 2015 *NZ$*
Cost:				
At the beginning of the year/ period	494,834,834	495,162,821	502,379,567	502,379,567
Acquisition of subsidiaries *(note 32)*	327,987	7,216,746	—	13,220,426
	495,162,821	502,379,567	502,379,567	515,599,993
Accumulated impairment:				
At the beginning of the year/ period	—	—	—	—
Impairment during the year/ period	—	—	—	—
	—	—	—	—
Net carrying amount at the end of the year/period	495,162,821	502,379,567	502,379,567	515,599,993

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are 8.2%, 7.5%, 7.64% and 7.75% and cash flows beyond the five-year period are extrapolated using a growth rate of 3.0%, 2.3%, 2.5% and 2.5% at the ended of each Relevant Periods.

Assumptions are used in the value in use calculation of the cash-generating unit during the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the years immediately before the budget year, increased for expected market development.

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

15. OTHER INTANGIBLE ASSETS

	Customer contracts	Licenses	Trade name	Build-operate-transfer contracts	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
30 June 2013					
At the beginning of the year:					
Cost	5,135,190	500,000	—	—	5,635,190
Accumulated amortisation	(2,578,642)	(181,818)	—	—	(2,760,460)
Net carrying amount	2,556,548	318,182	—	—	2,874,730
Cost at the beginning of the year, net of accumulated amortisation	2,556,548	318,182	—	—	2,874,730
Amortisation provided during the year	(746,610)	(181,818)	—	—	(928,428)
At 30 June 2013	1,809,938	136,364	—	—	1,946,302
At 30 June 2013:					
Cost	5,135,190	500,000	—	—	5,635,190
Accumulated amortisation	(3,325,252)	(363,636)	—	—	(3,688,888)
Net carrying amount	1,809,938	136,364	—	—	1,946,302
30 June 2014					
At the beginning of the year:					
Cost	5,135,190	500,000	—	—	5,635,190
Accumulated amortisation	(3,325,252)	(363,636)	—	—	(3,688,888)
Net carrying amount	1,809,938	136,364	—	—	1,946,302
Cost at the beginning of the year, net of accumulated amortisation	1,809,938	136,364	—	—	1,946,302
Additions	—	422,456	—	—	422,456
Acquisition of subsidiaries *(note 32(2))*	169,000	—	—	—	169,000
Amortisation provided during the year	(784,079)	(136,364)	—	—	(920,443)
At 30 June 2014	1,194,859	422,456	—	—	1,617,315
At 30 June 2014:					
Cost	5,304,190	922,456	—	—	6,226,646
Accumulated amortisation	(4,109,331)	(500,000)	—	—	(4,609,331)
Net carrying amount	1,194,859	422,456	—	—	1,617,315

	Customer contracts NZ$	Licenses NZ$	Trade name NZ$	Build-operate-transfer contracts NZ$	Total NZ$
31 December 2014					
At the beginning of the period:					
Cost	5,304,190	922,456	—	—	6,226,646
Accumulated amortisation	(4,109,331)	(500,000)	—	—	(4,609,331)
Net carrying amount	1,194,859	422,456	—	—	1,617,315
Cost at the beginning of the period, net of accumulated amortisation	1,194,859	422,456	—	—	1,617,315
Others	7,122	—	—	—	7,122
Amortisation provided during the period	(307,539)	(35,821)	—	—	(343,360)
At 31 December 2014	894,442	386,635	—	—	1,281,077
At 31 December 2014:					
Cost	5,311,312	922,456	—	—	6,233,768
Accumulated amortisation	(4,416,870)	(535,821)	—	—	(4,952,691)
Net carrying amount	894,442	386,635	—	—	1,281,077
31 December 2015					
At the beginning of the year:					
Cost	5,311,312	922,456	—	—	6,233,768
Accumulated amortisation	(4,416,870)	(535,821)	—	—	(4,952,691)
Net carrying amount	894,442	386,635	—	—	1,281,077
Cost at the beginning of the year, net of accumulated amortisation	894,442	386,635	—	—	1,281,077
Additions	—	—	—	1,595,266	1,595,266
Acquisition of subsidiaries *(note 32(3))*	6,799,000	—	1,173,000	—	7,972,000
Amortisation provided during the year	(1,181,661)	(65,240)	—	(363,157)	(1,610,058)
At 31 December 2015	6,511,781	321,395	1,173,000	1,232,109	9,238,285
At 31 December 2015					
Cost	12,110,312	922,456	1,173,000	1,595,266	15,801,034
Accumulated amortisation	(5,598,531)	(601,061)	—	(363,157)	(6,562,749)
Net carrying amount	6,511,781	321,395	1,173,000	1,232,109	9,238,285

16. INVESTMENTS IN JOINT VENTURES

	30 June 2013 NZ$	30 June 2014 NZ$	31 December 2014 NZ$	31 December 2015 NZ$
Share of net assets	19,362,190	24,446,000	28,914,927	29,981,618
Goodwill on acquisition	—	—	—	—
	19,362,190	24,446,000	28,914,927	29,981,618

The BCWMNZ Group's trade receivable balances due from the joint ventures and trade payable balances due to the joint ventures are disclosed in note 19 and note 24 to the Financial Information, respectively.

Particulars of the BCWMNZ Group's material joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Transwaste Canterbury Limited	NZ$16,000,000	New Zealand	50	50	50	Waste collection and landfill

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

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

	30 June 2013 *NZ$*	**30 June 2014** *NZ$*	**31 December 2014** *NZ$*	**31 December 2015** *NZ$*
Cash and cash equivalents	18,031,000	21,220,000	36,424,381	42,113,939
Other current assets	5,614,696	9,586,948	9,397,599	6,227,177
Current assets	23,645,696	30,806,948	45,821,980	48,341,116
Non-current assets	56,964,000	54,636,000	50,882,752	59,157,104
Financial liabilities, excluding trade and other payables	—	—	—	—
Other current liabilities	11,839,000	14,942,000	48,040,941	54,696,559
Current liabilities	11,839,000	14,942,000	48,040,941	54,696,559
Non-current financial liabilities excluding trade and other payables and provisions	—	—	—	—
Other non-current liabilities	43,508,000	35,347,000	8,445,275	7,368,241
Non-current liabilities	43,508,000	35,347,000	8,445,275	7,368,241
Net assets	25,262,696	35,153,948	40,218,516	45,433,420
Reconciliation to the BCWMNZ Group's interest in the joint venture:				
Proportion of the BCWMNZ Group's ownership	50%	50%	50%	50%
Group's share of net assets of the joint venture	12,631,348	17,576,974	20,109,258	22,716,710
Carrying amount of the investment	12,631,348	17,576,974	20,109,258	22,716,710

Financial information of the BCWMNZ Group's share of profit or loss is as follows:

	Year ended 30 June 2013 NZ$	Year ended 30 June 2014 NZ$	Six months ended 31 December 2014 NZ$	Year ended 31 December 2015 NZ$
Revenue	18,409,500	28,546,000	17,236,013	31,148,047
Interest income	173,500	353,000	301,275	705,240
Depreciation and amortisation	(1,597,500)	(2,422,500)	(1,493,478)	(3,467,191)
Interest expenses	(624,000)	(583,500)	(277,909)	(629,383)
Tax	(1,729,500)	(4,017,500)	(2,679,572)	(4,099,978)
Profit and total comprehensive income for the year/period	4,078,548	10,282,232	6,394,021	9,857,452
Dividend received	3,450,000	5,336,500	3,800,000	7,250,000

The following table illustrates the aggregate financial information of the BCWMNZ Group's other joint ventures:

	Year ended 30 June 2013 NZ$	Year ended 30 June 2014 NZ$	Six months ended 31 December 2014 NZ$	Year ended 31 December 2015 NZ$
Share of the joint ventures' profit for the year/period	1,258,680	1,434,701	2,184,906	1,809,332
Share of the joint ventures' other comprehensive income	—	—	—	—
Share of the joint ventures' total comprehensive income	1,258,680	1,434,701	2,184,906	1,809,332
Aggregate carrying amount of the BCWMNZ Group's investments in the joint ventures	6,730,842	6,869,026	8,805,669	7,264,908

In November 2012, the BCWMNZ Group disposal 50% equity interest in Otago Southland Waste Services Limited, a joint venture of the BCWMNZ Group with 50% equity in previous years.

17. INVESTMENT IN A JOINT OPERATION

Particulars of a joint operation as at the end of the reporting periods are as follows:

Name	Place of incorporation	Percentage of Ownership interest attributable to the BCWMNZ Group	Principal activity	Accounting treatment
Waste Disposal Services	New Zealand	50	Waste collection and landfill	Joint operation

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

The BCWMNZ Group's trade receivable balance due from the joint operation and trade payable balance due to the joint operation are disclosed in note 19 and note 24 to the Financial Information, respectively.

The share of material assets and liabilities of Waste Disposal Services, which has been included in the Financial Information, is as follows:

	30 June 2013 *NZ$*	30 June 2014 *NZ$*	31 December 2014 *NZ$*	31 December 2015 *NZ$*
Current assets	1,089,340	2,406,833	2,918,581	4,677,903
Non-current assets	11,568,499	12,389,214	12,718,984	15,334,260
Total assets	12,657,839	14,796,047	15,637,565	20,012,163
Current liabilities	341,166	1,061,356	730,835	978,500
Non-current liabilities	1,566,010	1,621,744	1,650,442	3,562,333
Total liabilities	1,907,176	2,683,100	2,381,277	4,540,833
Net assets shared as shareholders	10,750,663	12,112,947	13,256,288	15,471,330

	Year ended 30 June 2013 *NZ$*	Year ended 30 June 2014 *NZ$*	Six months ended 31 December 2014 *NZ$*	Year ended 31 December 2015 *NZ$*
Share of the joint operation's revenue	5,822,483	6,575,118	3,380,798	7,739,217
Share of the joint operation's expenses	(4,222,332)	(4,212,965)	(2,237,633)	(4,523,999)
Share of the joint operation's profit before tax	1,600,151	2,362,153	1,143,165	3,215,218

18. INVENTORIES

	30 June 2013 *NZ$*	30 June 2014 *NZ$*	31 December 2014 *NZ$*	31 December 2015 *NZ$*
Raw materials	103,274	136,072	173,565	316,574
Work in progress	83,536	9,650	18,486	—
Finished goods	1,290,057	1,538,700	1,622,120	1,904,168
	1,476,867	1,684,422	1,814,171	2,220,742

19. TRADE RECEIVABLES

	30 June 2013 *NZ$*	30 June 2014 *NZ$*	31 December 2014 *NZ$*	31 December 2015 *NZ$*
Trade receivables	36,456,086	49,434,252	55,470,481	58,311,834
Impairment	(158,676)	—	(179,455)	(283,536)
	36,297,410	49,434,252	55,291,026	58,028,298

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	30 June 2013 *NZ$*	30 June 2014 *NZ$*	31 December 2014 *NZ$*	31 December 2015 *NZ$*
Within 1 month	28,640,990	39,491,328	53,615,305	51,532,709
1 to 2 months	6,082,402	7,082,398	707,842	3,744,703
2 to 3 months	1,369,513	2,204,094	729,004	1,289,809
Over 3 months	204,505	656,432	238,875	1,461,077
	36,297,410	49,434,252	55,291,026	58,028,298

The BCWMNZ Group's trading terms with its customers are mainly on credit, except for residential customers, where payment in advance is normally required. The credit period is generally within 50 days. Each customer has a maximum credit limit. The BCWMNZ Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The BCWMNZ Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. They are stated net of provisions.

Trade debtors of NZ$171,488, nil, NZ$948,226 and NZ$1,293,392 were individually determined to be impaired as at the end of each Relevant Periods, respectively. The BCWMNZ Group does not hold any collateral or other credit enhancements over these balances. Movements in the provision for impairment losses are as follows:

	30 June 2013 NZ$	30 June 2014 NZ$	31 December 2014 NZ$	31 December 2015 NZ$
At the beginning of the year/period	252,712	158,676	—	179,455
Impairment losses recognised *(note 6)*	320,389	779,383	179,455	154,665
Amount written off as uncollectible	(414,425)	(339,409)	—	(50,584)
Impairment losses reversed	—	(598,650)	—	—
At the end of the year/period	158,676	—	179,455	283,536

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2013 NZ$	30 June 2014 NZ$	31 December 2014 NZ$	31 December 2015 NZ$
Neither past due nor impaired	28,751,325	39,491,328	53,079,703	51,517,759
Past due but not impaired:				
Less than 30 days	6,078,424	7,082,398	643,895	3,144,703
31 to 90 days	1,367,470	2,204,094	637,602	1,289,809
Over 90 days	87,379	656,432	161,055	1,066,171
	36,284,598	49,434,252	54,522,255	57,018,442

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the BCWMNZ Group. Based on past experience, the directors of BCWMNZ are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The BCWMNZ Group does not hold any collateral or other credit enhancements over these balances.

	30 June 2013 NZ$	30 June 2014 NZ$	31 December 2014 NZ$	31 December 2015 NZ$
Trade debtors	32,916,601	48,624,216	52,581,026	55,175,510
Amount due from joint ventures	3,303,863	810,036	2,628,000	2,709,843
Amount due from the joint operation	76,946	—	82,000	142,945
	36,297,410	49,434,252	55,291,026	58,028,298

The amounts due from the BCWMNZ Group's joint ventures and the joint operation are unsecured, interest-free and are settled within 50 days, which is similar to the credit terms offered to the major customers of the BCWMNZ Group.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2013 NZ$	30 June 2014 NZ$	31 December 2014 NZ$	31 December 2015 NZ$
Current					
Prepayments		386,922	713,827	1,315,084	1,860,409
Deposits and other receivables		2,772,649	2,845,899	2,564,397	3,900,274
Loan to related parties	(i)	75,902,759	—	—	—
		79,062,330	3,559,726	3,879,481	5,760,683
Non-current					
Long term prepayments	(ii)	209,408	206,581	318,897	1,065,768
		79,271,738	3,766,307	4,198,378	6,826,451

Notes:

(i) The balance of loan to related parties as at 30 June 2013 was mainly comprised of an outstanding loan amounting to NZ$75,868,208 to Transpacific Industries Group Limited, the former immediate holding company.

(ii) The long term prepayments represented emission units which the BCWMNZ Group purchased in order to satisfy the obligations in relation to the discharge of methane from the landfills under the Emissions Trading Scheme.

21. ASSETS HELD FOR SALE

Assets classified as held-for-sale are vehicles, trucks, tankers etc. which are built for the purpose of waste management. These are expected to be sold to sub-contractors/owner-drivers operating on behalf of Waste Management NZ Limited within the next twelve months. As at the end of each of Relevant Periods, the BCWMNZ Group classified these assets as held-for-sale assets, and carrying amounts were NZ$978,482, NZ$1,223,342, NZ$960,606 and NZ$1,432,212, respectively.

22. CASH AND CASH EQUIVALENTS

	30 June 2013 NZ$	30 June 2014 NZ$	31 December 2014 NZ$	31 December 2015 NZ$
Cash and cash equivalents	11,611,592	9,274,917	30,940,754	20,656,385
Denominated in:				
NZ$	11,318,715	8,750,879	29,809,269	18,953,252
AU$	45,373	45,451	37,430	289,935
US$	247,504	478,587	1,094,055	1,413,198
Cash and cash equivalents	11,611,592	9,274,917	30,940,754	20,656,385

Cash at banks earns interest at floating rates based on daily bank deposit rates.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the BCWMNZ Group in the normal course of business in order to hedge exposure to fluctuations in foreign currency rates and movements in electricity prices.

24. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	30 June 2013	30 June 2014	31 December 2014	31 December 2015
	NZ$	*NZ$*	*NZ$*	*NZ$*
Within 30 days	18,971,083	26,023,339	24,916,888	26,891,387
31 to 60 days	615,148	1,075,133	302,505	1,804,770
61 to 90 days	310,430	225,582	301,688	1,005,066
Over 90 days	176,982	634,280	1,937,060	1,089,760
	20,073,643	27,958,334	27,458,141	30,790,983
Trade creditors	18,598,367	27,958,334	26,445,141	28,689,152
Amounts due to joint ventures	1,104,588	—	646,000	1,596,262
Amount due to the joint operation	370,688	—	367,000	505,569
	20,073,643	27,958,334	27,458,141	30,790,983

The amounts due to the BCWMNZ Group's joint ventures and joint operation have credit terms to those offered by the joint ventures and the joint operation to their major customers.

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

25. OTHER PAYABLES AND ACCRUALS

	30 June 2013	30 June 2014	31 December 2014	31 December 2015
	NZ$	*NZ$*	*NZ$*	*NZ$*
Advanced receipts	19,563,769	20,425,779	25,170,401	24,982,862
Other payables	11,793,914	19,629,930	27,144,890	32,737,946
Loan from related parties	305,000,456	237,240,183	222,671,148	178,086,443
	336,358,139	277,295,892	274,986,439	235,807,251

The loan from related parties as at 30 June 2013 mostly represented the loan borrowed from Transpacific Industries Pty Limited, the former non-controlling shareholder of BCWMNZ before 30 June 2014, and bears interest at 6.54% per annum.

The loan from a related party as at 30 June 2014, 31 December 2014 and 31 December 2015 represented the loan borrowed from Beijing Capital Group NZ Investment Holding Limited ("NZSPV"), the immediate holding company BCWMNZ after 30 June 2014, and bears interest at 9.42% per annum.

26. FINANCE LEASE PAYABLES

The BCWMNZ Group has a 5 year finance lease (commenced 2010) relating to waste collection vehicles with Commonwealth Bank of Australia. In 2011, it also entered into a 2 year finance lease relating to a kerbside recycling vehicle with Allied Nationwide Finance. The finance lease payables were repaid during the year ended 30 June 2014.

At the end of each of the Relevant Periods, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments				Present value of minimum lease payments			
	30 June 2013	30 June 2014	31 December 2014	31 December 2015	30 June 2013	30 June 2014	31 December 2014	31 December 2015
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Amounts payable:								
Within one year	3,257,533	—	—	—	2,512,357	—	—	—
In the second year	6,210,706	—	—	—	5,931,451	—	—	—
Total minimum finance lease payments	9,468,239	—	—	—	8,443,808	—	—	—
Future finance charges	(1,024,431)	—	—	—				
Total net finance lease payables	8,443,808	—	—	—				
Portion classified as current liabilities	(2,512,357)	—	—	—				
Non-current portion	5,931,451	—	—	—				

27. CONVERTIBLE BONDS

1,900 Mandatory Convertible Notes ("MCNs") were issued in November 2006 with a face value of NZ$95,282 per MCNs at 8.545% per annum for 7 years to the New Zealand Branch of Transpacific Industries Pty Limited, the former non-controlling shareholder. The coupon rate was changed to 9.15% per annum after 30 September 2007. Interest is payable in March and September each year and paid on coupon date. All the MCNs were converted to share capital of NZ$101,931,989 in November 2013.

The fair value of the liability component was estimated at the issuance date based on the net present value of the interest payments to be made on the MCNs prior to conversion. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds have been split into the liability and equity components as follows:

	30 June 2013	30 June 2014	31 December 2014	31 December 2015
	NZ$	*NZ$*	*NZ$*	*NZ$*
Equity component	101,931,989	—	—	—
Liability component at the beginning of the year	20,478,540	5,863,866	—	—
Interest expense	1,950,190	308,240	—	—
Interest paid	(16,564,864)	(6,172,106)	—	—
Liability component at the end of the year/period	5,863,866	—	—	—

28. DEFERRED TAX LIABILITIES

Deferred tax assets/(liabilities)

	Property, plant and equipment *NZ$*	Other intangible assets *NZ$*	Provision *NZ$*	Other provision and payables *NZ$*	Total *NZ$*
At 1 July 2012	(10,302,000)	—	(4,355,000)	19,507,000	4,850,000
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	1,494,309	—	302,061	(8,704,719)	(6,908,350)
Others	—	—	—	(260,196)	(260,196)
Net deferred tax liabilities at 30 June 2013	(8,807,691)	—	(4,052,939)	10,542,084	(2,318,546)
At 30 June 2013	(8,807,691)	—	(4,052,939)	10,542,084	(2,318,546)
Acquisition of subsidiaries *(note 32)*	(704,273)	—	1,057,800	229,464	582,991
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	330,761	—	(1,055,334)	(9,198,961)	(9,923,534)
Others	—	—	—	(125,035)	(125,035)
Net deferred tax liabilities at 30 June 2014	(9,181,203)	—	(4,050,473)	1,447,552	(11,784,124)
At 30 June 2014	(9,181,203)	—	(4,050,473)	1,447,552	(11,784,124)
Deferred tax charged/(credited) to the statement of profit or loss during the period *(note 10)*	(1,345,511)	(249,269)	3,660,932	87,448	2,153,600
Others	—	—	—	264,464	264,464
Net deferred tax liabilities at 31 December 2014	(10,526,714)	(249,269)	(389,541)	1,799,464	(9,366,060)
At 31 December 2014	(10,526,714)	(249,269)	(389,541)	1,799,464	(9,366,060)
Acquisition of subsidiaries *(note 32)*	—	(1,903,720)	—	—	(1,903,720)
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	(10,390,590)	330,865	11,768,634	136,801	1,845,710
Others	—	—	—	(258)	(258)
Net deferred tax liabilities at 31 December 2015	(20,917,304)	(1,822,124)	11,379,093	1,936,007	(9,424,328)

29. PROVISION

(a) Closure and post-closure provisions

	30 June 2013 NZ$	30 June 2014 NZ$	31 December 2014 NZ$	31 December 2015 NZ$
At the beginning of the year/period	27,749,269	23,077,138	24,011,445	22,874,339
Acquisition of subsidiaries *(note 32)*	—	—	—	423,784
Amounts utilised during the year/period	(70,638)	(381,184)	(94,414)	(856,234)
Reassessment of closure and post-closure provision *(note 13)*	(3,867,822)	433,240	(1,343,445)	(294,225)
Effect of time value adjustment *(note 7)*	(733,671)	882,251	300,753	848,844
At the end of the year/period	23,077,138	24,011,445	22,874,339	22,996,508
Portion classified as current liabilities	—	—	—	—
Non-current portion	23,077,138	24,011,445	22,874,339	22,996,508

Provision is made for the future costs of closing the BCWMNZ Group's landfills at the end of their economic or consented lives and for the associated post-closure costs, being the aftercare of the landfills for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item-by-item basis. The provision held, at the end of each of Relevant Periods, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining lives of the landfills is performed regularly.

(b) Onerous Contracts

At 30 June 2012, the BCWMNZ Group made a provision for loss making contracts of NZ$102,000. This is based on the estimated future cash flows required to perform the BCWMNZ Group's obligation that are in excess of the expected cash inflows from those contracts. The contracts (and associated cash outflows) have a remaining term of between 1 and 12 years. The provision had been released during the year ended 30 June 2013.

30. SHARE CAPITAL

	Notes	30 June 2013 NZ$	30 June 2014 NZ$	31 December 2014 NZ$	31 December 2015 NZ$
Issued and fully paid:					
240,000,100 ordinary shares	(i)	256,990,000	256,990,000	—	—
200,000,000 non-redeemable preference shares	(i)	220,500,000	220,500,000	—	—
163,327,800 ordinary shares	(ii)	—	101,931,989	—	—
603,327,900 ordinary shares	(iii)	—	—	579,421,989	579,421,989
		477,490,000	579,421,989	579,421,989	579,421,989

Notes:

(i) All the ordinary shares and non-redeemable preference shares were issued to the original shareholders of the BCWMNZ Group.

(ii) All the MCNs were converted into share capital in November 2013, details of which are disclosed in note 27 to the Financial Information.

(iii) 100% interest of the BCWMNZ Group was acquired by NZSPV on 30 June 2014 and all the non-redeemable preference shares were converted into the ordinary shares.

31. RESERVES

The amounts of the BCWMNZ Group's reserves and the movements therein for the Relevant Periods are presented in the statement of changes in equity on page IV-7 of the Financial Information.

The BCWMNZ Group's hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

32. BUSINESS COMBINATION

1) Business combination during the year ended 30 June 2013

On 2 November 2012, Waste Management NZ Limited ("WMNZ") (formerly named as Transpacific Industries Group (NZ) Limited before 30 June 2014), a wholly-owned subsidiary of BCWMNZ, acquired Northern Southland Greymouth Waste Business from a third party. The acquisition was made as part of the BCWMNZ Group's strategy to expand its New Zealand market share. The purchase consideration for the acquisition was NZ$600,000, which was settled in cash.

The fair values of the identifiable assets of Northern Southland Greymouth Waste Business as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	NZ$
Property, plant and equipment	272,013
Total identifiable net assets at fair value	272,013
Goodwill on acquisition	327,987
Satisfied by cash	600,000

The BCWMNZ Group incurred transaction costs of NZ$17,781 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The contribution from Northern Southland Greymouth Waste Business to the BCWMNZ Group's revenue and the consolidated profit for the year ended 30 June 2013 since the acquisition was unable to be separated from the BCWMNZ Group's financial performance as Northern Southland Greymouth Waste Business had been fully absorbed into the existing operation since the acquisition.

2) Business combination during the year ended 30 June 2014

During the year ended 30 June 2014, the BCWMNZ Group acquired the following subsidiaries and business:

(i) On 29 October 2013, WMNZ as mentioned above acquired Seaview Recycle and Transfer Station from third parties. The acquisition was made as part of the BCWMNZ Group's strategy to expand its New Zealand market share. The purchase consideration for the acquisition was NZ$2,538,000,which was settled in cash.

(ii) On 28 February 2014, WMNZ acquired a 100% equity interest of Transpacific Industrials Limited and its subsidiaries from Transpacific Industries Group Limited, the former immediate holding company of the BCWMNZ Group before 30 June 2014. The acquisition was made as part of a reorganisation to aggregate similar business into a single legal and operating structure. The purchase consideration for the acquisition was NZ$1, which was settled in cash. As the combination had commercial substance, the management applied HKFRS3 (Revised) *Business Combinations* for the combination under common control.

The fair values of the identifiable assets and liabilities of the above acquired subsidiaries and business as at the respective acquisition dates were as follows:

	Fair value recognised on acquisition		
	Seaview Recycle and Transfer Station	**Transpacific Industrials Limited**	**Total**
	NZ$	*NZ$*	*NZ$*
Cash and bank balances	—	11,948,931	11,948,931
Trade receivables	—	8,813,161	8,813,161
Inventories	—	481,214	481,214
Prepayments	—	439,002	439,002
Assets held for sale	34,410	—	34,410
Property, plant and equipment	2,192,400	26,579,763	28,772,163
Other intangible assets	—	169,000	169,000
Investments in joint ventures	—	328,512	328,512
Deferred tax assets	—	582,991	582,991
Trade payables	—	(8,056,595)	(8,056,595)
Tax payables	—	(544,775)	(544,775)
Loan from a related party	—	(46,547,056)	(46,547,056)
Provisions	—	(1,099,703)	(1,099,703)
Total identifiable net assets at fair value	2,226,810	(6,905,555)	(4,678,745)
Goodwill on acquisition	311,190	6,905,556	7,216,746
Satisfied by cash	2,538,000	1	2,538,001

The fair values of the trade receivables as at the dates of acquisition amounted to NZ$8,813,161. The gross contractual amount of the trade receivables was NZ$8,813,161, which was expected to be collectible.

The BCWMNZ Group incurred transaction costs of NZ$131,095 for the both acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

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

	NZ$
Cash consideration	(2,538,001)
Cash and bank balances acquired	11,948,931
Net inflow of cash and cash equivalents included in cash flows from investing activities	9,410,930

Since the acquisition, the newly acquired business and subsidiaries contributed NZ$16,372,406 to the BCWMNZ Group's revenue and NZ$147,315 to the consolidated profit for year ended 30 June 2014.

Had all the combinations taken place at the beginning of the year ended 30 June 2014, the consolidated revenue and consolidated profit of the BCWMNZ Group for the year ended 30 June 2014 would have been NZ$431,580,980 and NZ$45,698,175, respectively.

3) Business combination during the year ended 31 December 2015

During the year ended 31 December 2015, the BCWMNZ Group acquired the following subsidiaries and businesses:

(i) On 31 March 2015, WMNZ acquired the remaining 50% equity interest in Living Earth Limited, a joint venture of the BCWMNZ Group in 2014, from the other shareholder named Forte Investments 2004 Limited. The acquisition was made as part of the BCWMNZ Group's strategy to expand its New Zealand market share. The purchase consideration for the acquisition was NZ$9,801,000.

(ii) On 17 July 2015, WMNZ acquired Gordies Bins from third parties. The acquisition was made as part of the BCWMNZ Group's strategy to expand its New Zealand market share. The purchase consideration for the acquisition was NZ$2,300,000, which was settled in cash.

(iii) On 2 July 2015, WMNZ acquired Waste Services Marlborough from a third party. The acquisition was made as part of the BCWMNZ Group's strategy to expand its New Zealand market share. The purchase consideration for the acquisition was NZ$2,500,000, which was settled in cash.

The fair values of the identifiable assets and liabilities of the above acquired businesses and subsidiary as at the respective acquisition dates were as follows:

	Fair value recognised on acquisition			
	Living earth Limited	Gordies Bins	Waste Services Marlborough	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*
Cash and bank balances	925,871	—	—	925,871
Trade receivables	1,337,978	—	—	1,337,978
Inventories	545,123	—	—	545,123
Prepaid tax	541,117	—	—	541,117
Property, plant and equipment	4,766,252	152,250	369,000	5,287,502
Assets held for sale	—	33,116	—	33,116
Other intangible assets	7,972,000	—	—	7,972,000
Other receivables	23,817	—	—	23,817
Trade payables	(3,168,888)	—	—	(3,168,888)
Bank overdraft	(968,658)	—	—	(968,658)
Provision	(423,784)	—	—	(423,784)
Deferred tax liabilities	(1,903,720)	—	—	(1,903,720)
Total identifiable net assets at fair value	9,647,108	185,366	369,000	10,201,474
Goodwill on acquisition	8,974,792	2,114,634	2,131,000	13,220,426
Satisfied by:				
Cash consideration	8,801,000	2,300,000	2,500,000	13,601,000
Contingent consideration	1,000,000	—	—	1,000,000
Fair value of the equity interest held before acquisition date	8,820,900	—	—	8,820,900
	18,621,900	2,300,000	2,500,000	23,421,900

The BCWMNZ Group recognised a gain of NZ$6,494,679 as a result of remeasuring to fair value the equity interest of Living Earth Limited held before acquisition date.

There is an additional consideration payable of NZ$1,000,000 upon the occurrence of certain future events for acquired Living Earth Limited. The relevant events have not yet occurred but it is management's expectation that they will need to pay the full contracted amount of the contingent consideration of NZ$1,000,000 in the future and accordingly the full NZ$1,000,000 has been accrued as a liability.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to NZ$1,337,978 and NZ$23,817, respectively. The gross contractual amounts of trade receivables and other receivables were NZ$1,337,978 and NZ$23,817, respectively, which were expected to be collectible.

The BCWMNZ Group incurred transaction costs of NZ$79,994 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

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

	NZ$
Cash consideration	(13,601,000)
Cash and bank balances acquired	925,871
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,675,129)

Since the acquisition, the newly acquired business and subsidiary contributed NZ$11,107,236 to the BCWMNZ Group's revenue and NZ$1,497,224 to the consolidated profit for the year ended 31 December 2015.

Had all the combinations taken place at the beginning of the year ended 31 December 2015, the consolidated revenue and consolidated profit of the BCWMNZ Group for the year ended 31 December 2015 would have been NZ$450,144,970 and NZ$62,516,478, respectively.

33. CONTINGENT LIABILITIES

At the end of each of the Relevant periods, contingent liabilities not provided for in the Financial Information were as follows:

	30 June 2013 *NZ$*	**30 June 2014** *NZ$*	**31 December 2014** *NZ$*	**31 December 2015** *NZ$*
Guarantees given to bank in connection with facilities granted to the parent *(note)*	1,681,927,500	984,662,600	996,470,219	—
Guarantees given to the government in connection with going concern of landfills	41,296,534	42,112,457	30,870,000	37,674,730
Guarantees given to the government in connection with fulfilling the waste collection contracts and other activities	5,659,838	6,823,427	7,179,000	10,541,178
	1,728,883,872	1,033,598,484	1,034,519,219	48,215,908

Note: Further details are included in note 36 to the Financial Information.

As at 30 June 2013, the BCWMNZ Group was subjected to a cross guarantee under which it and other members of the Transpacific Industries Group Limited are guarantors of the banking facilities of Transpacific Industries Group Limited. At 30 June 2013, the debt of Transpacific Industries Group Limited Group under its banking facilities amounted to approximately AU$1,425 million.

As at 30 June 2014 and 31 December 2014, the BCWMNZ Group was subjected to guarantees under which they are guarantors under the BCG Chinastar International Investment Limited Bridge Loan Facility. The bridge loan facility outstanding amounted to US$862 million and US$775.8 million for 30 June 2014 and 31 December 2014 respectively.

Except for the contingent liabilities mentioned above, the taxation authority in New Zealand continues its review of the BCWMNZ Group's tax position during the Relevant Periods. The review is on-going and at this time it is too early to identify the adjustments that may arise, if any.

34. OPERATING LEASE ARRANGEMENTS

The BCWMNZ Group leases certain of its offices and factory properties and vehicles under operating lease arrangements. Leases for these properties and vehicles are negotiated for terms ranging from two to nineteen years.

As at the end of each of the Relevant Periods, the BCWMNZ Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013	**30 June 2014**	**31 December 2014**	**31 December 2015**
	NZ$	*NZ$*	*NZ$*	*NZ$*
Within one year	7,261,139	7,901,135	8,305,990	8,035,045
In the second to fifth years, inclusive	16,118,441	16,527,895	16,777,351	15,637,008
After five years	10,234,757	9,597,144	8,647,744	8,185,149
	33,614,337	34,026,174	33,731,085	31,857,202

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the BCWMNZ Group had the following capital commitments at the end of each of the Relevant Periods:

	30 June 2013	**30 June 2014**	**31 December 2014**	**31 December 2015**
	NZ$	*NZ$*	*NZ$*	*NZ$*
Contracted, but not provided for,				
Machinery and equipment	7,327,687	9,363,738	13,039,000	15,272,629
Put options *(note)*	8,389,250	9,855,000	10,477,000	11,090,000
Total	15,716,937	19,218,738	23,516,000	26,362,629

Note: The BCWMNZ Group has granted a number of put options to inhabitants secure additional land surrounding the Redvale landfill.

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these Financial Information, the BCWMNZ Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 30 June 2013 NZ$	Year ended 30 June 2014 NZ$	Six months ended 31 December 2014 NZ$	Year ended 31 December 2015 NZ$
Sale of goods/rendering of services to joint ventures	(i)	19,734,993	6,471,838	14,355,000	27,381,840
Sale of goods/rendering of services to joint operation	(i)	799,916	778,115	473,000	999,089
Sale of goods/rendering of services to non-controlling shareholder	(i)	2,415	201,360	—	—
Sale of goods/rendering of services to immediate holding company	(i)	1,954,786	4,866	—	—
Purchase of goods/rendering of services to joint ventures	(ii)	12,099,468	9,550,327	8,408,873	15,978,554
Purchase of goods/rendering of services to joint operation	(ii)	6,646,193	6,982,120	1,499,000	3,622,493
Purchase of goods/rendering of services to non-controlling shareholder	(ii)	1,150,878	5,063,854	—	—
Purchase of goods/rendering of services to immediate holding company	(ii)	4,219,967	—	—	—
Interest income from related parties		13,910,295	12,750,854	—	—
Interest expense due to related parties		36,759,313	26,810,390	11,597,791	18,907,230
Management fee	(iii)	13,527,426	17,885,074	—	—

Notes:

(i) The sales of goods/rendering of services to joint ventures, the joint operation, non-controlling shareholder and immediate holding company were made according to the published prices and conditions offered to the major customers of the BCWMNZ Group.

(ii) The purchases of goods/rendering of services from joint ventures, the joint operation, non-controlling shareholder and immediate holding company were made according to the published prices and conditions offered by these entities to their major customers.

(iii) The management fee was paid to Transpacific Industries Pty Limited — NZ Branch, the former non-controlling shareholder of BCWMNZ.

(b) Other transactions with related parties

(i) During the year ended 30 June 2013 and 2014, the BCWMNZ Group was subject to guarantees under which it was borrower and guarantor under Transpacific Industries Group Limited's syndicated facility agreement when Transpacific Industries Group Limited was BCWMNZ's ultimate holding company. The balance of this facility as at 30 June 2013 was AU$1,425,000,000 (equivalent to approximately NZ$1,681,927,500) and nil as at 30 June 2014.

During the period from 28 March 2014 to 31 December 2014, the BCWMNZ Group was subject to guarantees under which it was guarantor under the BCG Chinastar Bridge Loan Facility, the bridge loan facility outstanding amounted to US$862,000,000 (equivalent to approximately NZ$984,662,600) as at 30 June 2014 and US$775,800,000 (equivalent to approximately NZ$996,470,219) as at 31 December 2014, respectively. The guarantee was released during the year of 2015.

(ii) During the year ended 30 June 2014, the BCWMNZ Group acquired a subsidiary, Transpacific Industries Limited, from BCWMNZ's former immediate holding company Transpacific Industries Group Limited, at a consideration of NZ$1. Further details of this transaction are included in note 32 to the Financial Information.

(c) Compensation of key management personnel of the BCWMNZ Group:

	Year ended 30 June 2013	Year ended 30 June 2014	Six months ended 31 December 2014	Year ended 31 December 2015
	NZ$	*NZ$*	*NZ$*	*NZ$*
Short term employee benefits	2,977,222	4,800,676	1,604,818	3,913,081
Post-employment benefits	55,400	127,615	43,850	124,827
Total compensation paid to key management personnel	3,032,622	4,928,291	1,648,668	4,037,908

Further details of directors' emoluments are included in note 8 to the Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the each of the Relevant Periods are as follows:

As at 30 June 2013

Financial assets

	Derivatives designated as effective hedging instrument	Loans and receivables	Total
	NZ$	*NZ$*	*NZ$*
Derivative financial instruments	1,692,812	—	1,692,812
Trade receivables	—	36,297,410	36,297,410
Loan to related parties	—	75,902,759	75,902,759
Cash and cash equivalents	—	11,611,592	11,611,592
	1,692,812	123,811,761	125,504,573

Financial liabilities

	Derivatives designated as effective hedging instrument	Financial liabilities at amortised cost	Total
	NZ$	*NZ$*	*NZ$*
Derivative financial instruments	288,539	—	288,539
Trade payables	—	20,073,643	20,073,643
Loan from related parties	—	305,000,456	305,000,456
Financial liabilities included in other payables	—	9,030,446	9,030,446
Convertible bonds	—	5,863,866	5,863,866
Finance lease payables	—	8,443,808	8,443,808
	288,539	348,412,219	348,700,758

As at 30 June 2014

Financial assets

	Derivatives designated as effective hedging instrument	Loans and receivables	Total
	NZ$	*NZ$*	*NZ$*
Trade receivables	—	49,434,252	49,434,252
Derivative financial instruments	885,091	—	885,091
Cash and cash equivalents	—	9,274,917	9,274,917
	885,091	58,709,169	59,594,260

Financial liabilities

	Derivatives designated as effective hedging instrument	Financial liabilities at amortised cost	Total
	NZ$	*NZ$*	*NZ$*
Trade payables	—	27,958,334	27,958,334
Financial liabilities included in other payables	—	13,296,342	13,296,342
Loans from related parties	—	237,240,183	237,240,183
	—	278,494,859	278,494,859

As at 31 December 2014

Financial assets

	Derivatives designated as effective hedging instrument	Loans and receivables	Total
	NZ$	*NZ$*	*NZ$*
Trade receivables	—	55,291,026	55,291,026
Cash and cash equivalents	—	30,940,754	30,940,754
	—	86,231,780	86,231,780

Financial liabilities

	Derivatives designated as effective hedging instrument	Financial liabilities at amortised cost	Total
	NZ$	*NZ$*	*NZ$*
Derivative financial instruments	82,391	—	82,391
Trade payables	—	27,458,141	27,458,141
Financial liabilities included in other payables	—	27,144,890	27,144,890
Loan from a related party	—	222,671,148	222,671,148
	82,391	277,274,179	277,356,570

As at 31 December 2015

Financial assets

	Derivatives designated as effective hedging instrument	Loans and receivables	Total
	NZ$	*NZ$*	*NZ$*
Derivative financial instruments	24,031	—	24,031
Trade receivables	—	58,028,298	58,028,298
Cash and cash equivalents	—	20,656,385	20,656,385
	24,031	78,684,683	78,708,714

Financial liabilities

	Derivatives designated as effective hedging instrument	Financial liabilities at amortised cost	Total
	NZ$	*NZ$*	*NZ$*
Trade payables	—	30,790,983	30,790,983
Financial liabilities included in other payables	—	32,737,946	32,737,946
Loan from a related party	—	178,086,443	178,086,443
	—	241,615,372	240,615,372

38. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the BCWMNZ Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	30 June 2013	30 June 2014	31 December 2014	31 December 2015	30 June 2013	30 June 2014	31 December 2014	31 December 2015
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Financial assets								
Derivative financial Instruments	1,692,812	885,091	—	24,031	1,692,812	885,091	—	24,031
Loan to related parties	75,902,759	—	—	—	75,902,759	—	—	—
	77,595,571	885,091	—	24,031	77,595,571	885,091	—	24,031
Financial liabilities								
Derivative financial Instruments	288,539	—	82,391	—	288,539	—	82,391	—
Finance lease payables	8,443,808	—	—	—	8,443,808	—	—	—
Loans from related parties	305,000,456	237,240,183	222,671,148	178,086,443	305,000,456	237,240,183	222,671,148	178,086,443
Convertible bonds	5,863,866	—	—	—	5,863,866	—	—	—
	319,596,669	237,240,183	222,753,539	178,086,443	319,596,669	237,240,183	222,753,539	178,086,443

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The policies and procedures for the fair value measurements of financial instruments are determined by the BCWMNZ Group's finance department and are regularly reviewed by senior management.

The BCWMNZ Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments, including forward currency contracts and forward power supply agreement, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward. The carrying amounts of forward currency contracts and forward power supply agreement are the same with their fair value.

As at the end of each of Relevant Periods, the marked to market value of the derivative financial asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the BCWMNZ Group's financial instruments:

Assets measured at fair value:

As at 30 June 2013

	Carrying amount	Total fair value	Fair value measurement categorised into		
			Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Derivative financial assets	1,692,812	1,692,812	1,692,812	—	—

As at 30 June 2014

	Carrying amount	Total fair value	Fair value measurement categorised into		
			Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Derivative financial assets	885,091	885,091	885,091	—	—

As at 31 December 2015

	Carrying amount	Total fair value	Fair value measurement categorised into		
			Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Derivative financial assets	24,031	24,031	24,031	—	—

Liabilities measured at fair value:

As at 31 June 2013

	Carrying amount	Total fair value	Fair value measurement categorised into		
			Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Derivative financial liabilities	288,539	288,539	288,539	—	—

As at 31 December 2014

	Carrying amount	Total fair value	Fair value measurement categorised into		
			Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Derivative financial liabilities	82,391	82,391	82,391	—	—

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Assets for which fair values are disclosed:

As at 30 June 2013

	Carrying amount	Total fair value	Fair value measurement categorised into Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Loan to a related party	75,902,759	75,902,759	—	75,902,759	—

Liabilities for which fair values are disclosed:

As at 30 June 2013

	Carrying amount	Total fair value	Fair value measurement categorised into Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Finance lease payables	8,443,808	8,443,808	—	8,443,808	—
Loan from related parties	305,000,456	305,000,456	—	305,000,456	—
Convertible bonds	5,863,866	5,863,866	—	5,863,866	—
	319,308,130	319,308,130	—	319,308,130	—

As at 30 June 2014

	Carrying amount	Total fair value	Fair value measurement categorised into Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Loan from related parties	237,240,183	237,240,183	—	237,240,183	—

As at 31 December 2014

	Carrying amount	Total fair value	Fair value measurement categorised into Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Loan from related parties	222,671,148	222,671,148	—	222,671,148	—

As at 31 December 2015

	Carrying amount	Total fair value	Fair value measurement categorised into Level 1	Level 2	Level 3
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Loan from related parties	178,086,443	178,086,443	—	178,086,443	—

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The BCWMNZ Group's exposure to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the BCWMNZ Group's financial management policies and practices described below:

Interest rate risk

There is no interest rate risk exposure, since the BCWMNZ Group's interest-bearing financial instruments are all with fixed interest rate.

Foreign currency risk

The BCWMNZ Group has no significant foreign currency risk because its business is principally conducted in New Zealand and most of the transactions are denominated in the BCWMNZ Group's functional currency. Since the BCWMNZ Group has used forward currency contracts appointing foreign currency conversion rate to eliminate the foreign currency exposures, so foreign currency risk has been minimized.

Credit risk

The carrying amounts of cash and cash equivalents and trade receivables and loan to related parties, represent the BCWMNZ Group's maximum exposure to credit risk in relation to financial assets. Most of the BCWMNZ Group's cash and cash equivalents are held in major financial institutions located in New Zealand, which management believes are of high credit quality. The BCWMNZ Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The directors consider that the BCWMNZ Group does not have a significant concentration of credit risk.

Further quantitative data in respect of the BCWMNZ Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Financial Information.

Liquidity risk

The BCWMNZ Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The BCWMNZ Group finances its working capital requirements through a combination of funds generated from operations and borrowings from BCG Chinastar.

The table below summarises the maturity profile of the BCWMNZ Group's financial liabilities at each end of Relevant Periods based on contractual undiscounted payments.

	At 30 June 2013				
	On demand	**Less than 3 months**	**3 to 12 months**	**Over 12 months**	**Total**
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Convertible bonds	—	—	5,863,866	—	5,863,866
Finance lease payables	—	—	2,512,357	5,931,451	8,443,808
Trade payables	18,742,098	844,132	310,430	176,983	20,073,643
Financial liabilities included in other payables	5,132,187	681,971	215,102	3,001,186	9,030,446
Loan from related parties	305,000,456	—	—	—	305,000,456
Derivative financial instrument	—	—	—	288,539	288,539
	328,874,741	1,526,103	8,901,755	9,398,159	348,700,758

	At 30 June 2014				
	On demand	**Less than 3 months**	**3 to 12 months**	**Over 12 months**	**Total**
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Trade payables	26,023,339	1,300,714	446,544	187,737	27,958,334
Other payables	11,996,460	493,941	357,989	447,952	13,296,342
Loan from related parties	237,240,183	—	—	—	237,240,183
	275,259,982	1,794,655	804,533	635,689	278,494,859

	At 31 December 2014				
	On demand	Less than 3 months	3 to 12 months	Over 12 months	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Trade payables	—	27,458,141	—	—	27,458,141
Other payables	—	27,144,890	—	—	27,144,890
Loan from a related party	222,671,148	—	—	—	222,671,148
Derivative financial instrument	—	82,391	—	—	82,391
	222,671,148	54,685,422	—	—	277,356,570

	At 31 December 2015				
	On demand	Less than 3 months	3 to 12 months	Over 12 months	Total
	NZ$	*NZ$*	*NZ$*	*NZ$*	*NZ$*
Trade payables	—	30,790,983	—	—	30,790,983
Other payables	—	32,737,946	—	—	32,737,946
Loan from a related party	178,086,443	—	—	—	178,086,443
	178,086,443	63,528,929	—	—	241,615,372

Capital management

The BCWMNZ Group's objectives when managing capital are to safeguard the BCWMNZ Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to support business development and maximize shareholders' value.

The BCWMNZ Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure, the BCWMNZ Group may adjust its profit distribution to shareholders, or return capital to shareholders. No changes in the objectives, policies or processes for managing capital were made during the Relevant Periods.

The BCWMNZ Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, amounts due to related parties, trade payables, and other payables and accruals, less cash and cash equivalents. Capital includes convertible bonds and equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	30 June 2013	**30 June 2014**	**31 December 2014**	**31 December 2015**
	NZ$	*NZ$*	*NZ$*	*NZ$*
Loan from related parties	305,000,456	237,240,183	222,671,148	178,086,443
Trade payables *(note 24)*	20,073,643	27,958,334	27,458,141	30,790,983
Other payables and accruals *(note 25)*	31,357,683	40,055,709	52,315,291	57,720,808
Less: Cash and cash equivalents	(11,611,592)	(9,274,917)	(30,940,754)	(20,656,385)
Net debt	344,820,190	295,979,309	271,503,826	245,941,849
Equity attributable to owners of the parent	477,752,590	517,292,728	542,761,824	601,754,840
Capital and net debt	822,572,780	813,272,037	814,265,650	847,696,689
Gearing ratio (%)	41.92	36.39	33.34	29.01

40. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the BCWMNZ or the BCWMNZ Group after 31 December 2015.

41. STATEMENT OF FINANCIAL POSITION OF BCWMNZ

Information about the statement of financial position of BCWMNZ at the end of each of the Relevant Periods is as follows:

	30 June 2013 *NZ$*	30 June 2014 *NZ$*	31 December 2014 *NZ$*	31 December 2015 *NZ$*
NON-CURRENT ASSETS				
Investment in a subsidiary	851,612,063	851,612,063	851,612,063	851,612,063
Deferred tax assets	12,256,616	—	3,237,129	8,464,548
Total non-current assets	863,868,679	851,612,063	854,849,192	860,076,611
CURRENT ASSETS				
Cash and cash equivalents	45,373	45,448	45,459	—
Prepaid income tax	2,826,763	2,730,071	2,730,071	—
Total current assets	2,872,136	2,775,519	2,775,530	—
CURRENT LIABILITIES				
Other payables and accruals	4,129,869	—	5,744,629	4,543,613
Loan from related parties	438,237,444	178,946,940	184,702,130	197,145,919
Total current liabilities	442,367,313	178,946,940	190,446,759	201,689,532
NET CURRENT LIABILITIES	(439,495,177)	(176,171,421)	(187,671,229)	(201,689,532)
TOTAL ASSETS LESS CURRENT LIABILITIES	424,373,502	675,440,642	667,177,963	658,387,079
Net assets	424,373,502	675,440,642	667,177,963	658,387,079
EQUITY				
Equity attributable to owners of the parent				
Share capital	477,490,000	579,421,989	579,421,989	579,421,989
Equity component of convertible bonds	101,931,989	—	—	—
Reserves	(155,048,487)	96,018,653	87,755,974	78,965,090
Total equity	424,373,502	675,440,642	667,177,963	658,387,079

Note:

A summary of the BCWMNZ's reserves is as follow:

	Convertible bonds equity portion	Retained profits/ (accumulated loss)	Total
	NZ$	*NZ$*	*NZ$*
At 30 June 2012	101,931,989	(131,491,772)	(29,559,783)
Profit for the year	—	(23,556,715)	(23,556,715)
Total comprehensive income for the year	—	(23,556,715)	(23,556,715)
At 30 June 2013	101,931,989	(155,048,487)	(53,116,498)
Profit for the year	—	251,067,140	251,067,140
Total comprehensive income for the year:	—	251,067,140	251,067,140
Conversion of convertible notes	(101,931,989)	—	(101,931,989)
At 30 June 2014	—	96,018,653	96,018,653
Loss for the period	—	(8,262,679)	(8,262,679)
Total comprehensive income for the period	—	(8,262,679)	(8,262,679)
At 31 December 2014	—	87,755,974	87,755,974
Loss for the year	—	(8,790,884)	(8,790,884)
Total comprehensive income for the year	—	(8,790,884)	(8,790,884)
At 31 December 2015	—	78,965,090	78,965,090

III. SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the BCWMNZ Group or any of its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), being Capital Environment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") together with its interests in BCG NZ Investment Holding Limited (the "Target Company"), its subsidiaries and joint ventures (hereinafter collectively referred to as the "Target Group"), is prepared by the directors of the Company (the "Directors") to illustrate the financial effect of the potential acquisition of 51% of the issued share capital of the Target Company (the "Acquisition"), as if the Acquisition had been completed on 31 December 2015 or 1 January 2015, as appropriate. Pursuant to the terms of conditional sale and purchase agreement dated 26 November 2015 (the "Acquisition Agreement"), the Company will allot and issue approximately 4,541,574,877 consideration shares (the "Consideration shares") at an issue price of HK$0.40 per Consideration Share to BCG Chinastar International Investment Limited and Beijing Capital (HK) Limited (collectively referred to as the "Vendors"). Details of the Acquisition are set out in the section headed "Letter from the Board" contained in this Circular.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), for the purpose of illustrating the effect of the Acquisition pursuant to the terms of the Acquisition Agreement.

The unaudited pro forma consolidated statement of financial position is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2015, which has been extracted from the Company's published annual report for the year ended 31 December 2015 and the audited consolidated statement of financial position of the Target Group as at 31 December 2015 as extracted from the accountants' report set out in Appendix III to this Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and (ii) factually supportable, as if the Acquisition had been completed on 31 December 2015.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 as extracted from the published annual report of the Company for the year ended 31 December 2015; and (ii) the audited consolidated statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2015 as extracted from the accountants' report of the Target Group as set out in Appendix III to this Circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 1 January 2015.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group upon the completion of the Acquisition as at 31 December 2015 or at any future date or results and cash flows of the Enlarged Group for the year ended 31 December 2015 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2015, accountants' report of the Target Group set out in Appendix III and other financial information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 31 DECEMBER 2015

	The Group as at 31 December 2015	The Target Group as at 31 December 2015		Pro forma adjustments	Note	The Enlarged Group
	HK$'000	*NZ$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*			
Non-current assets						
Property, plant and equipment	121,472	270,352	1,430,891			1,552,363
Intangible assets	411,151	303,301	1,605,280		5	2,016,431
Goodwill	21,035	382,533	2,024,630			2,045,665
Prepaid lease payments	87,637	—	—			87,637
Amounts due from grantors for contract work	1,155,168	—	—			1,155,168
Available-for-sale investments	103,207	—	—			103,207
Interests in associates	114,372	94,537	500,358			614,730
Deposits paid for construction of infrastructure in service concession arrangements	63,043	—	—			63,043
Deposits, prepayments and other receivables	65,244	1,066	5,641			70,885
Deferred tax assets	11,475	—	—			11,475
	2,153,804	1,051,789	5,566,800			7,720,604
Current assets						
Inventories	31,137	2,221	11,754			42,891
Trade receivables	317,560	58,028	307,126			624,686
Deposits, prepayments and other receivables	82,262	1,860	9,847			92,109
Amounts due from grantors for contract work	52,742	—	—			52,742
Prepaid lease payments	1,997	—	—			1,997
Amount due from an associate	42,919	—	—			42,919
Tax recoverable	—	3,242	17,160			17,160
Derivative financial instruments	—	24	127			127
Bank balances and cash	1,201,352	96,600	511,275	(18,263)	4	1,694,364
	1,729,969	161,975	857,289	(18,263)		2,568,995
Assets classified as held for sale	308,037	1,432	7,580			315,617
	2,038,006	163,407	864,869	(18,263)		2,884,612

	The Group as at 31 December 2015	The Target Group as at 31 December 2015		Pro forma adjustments	*Note*	The Enlarged Group
	HK$'000	*NZ$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*			
Current liabilities						
Trade payables	25,934	30,791	162,967			188,901
Other payables and accruals	145,176	71,057	376,085			521,261
Provisions	955	—	—			955
Deferred income	1,671	—	—			1,671
Taxation payable	52,741	—	—			52,741
Borrowings	458,723	—	—			458,723
Dividend payable	—	31,000	164,074			164,074
	685,200	132,848	703,126			1,388,326
Liabilities associated with assets classified as held for sale	132,964	—	—			132,964
	818,164	132,848	703,126			1,521,290
Net current assets	1,219,842	30,559	161,743	(18,263)		1,363,322
Total assets less current liabilities	3,373,646	1,082,348	5,728,543	(18,263)		9,083,926
Non-current liabilities						
Deferred income	45,585	—	—			45,585
Borrowings	479,452	—	—			479,452
Loan from a fellow subsidiary	—	570,000	3,016,839			3,016,839
Provision	—	22,997	121,714			121,714
Deferred tax liabilities	21,664	40,329	213,451			235,115
	546,701	633,326	3,352,004			3,898,705
Net assets	2,826,945	449,022	2,376,539	(18,263)		5,185,221
Capital and reserves						
Share capital	975,315	389,988	2,064,087	(2,064,087)	3(b)	1,429,472
				454,157	3(a)	
Reserves	1,623,691	59,034	312,452	(153,101)	3(b)	2,363,306
				1,362,473	3(a)	
				(763,946)	3(b)	
				(18,263)	4	
Equity attributable to owners of the Company	2,599,006	449,022	2,376,539	(1,182,767)		3,792,778
Non-controlling interests	227,939	—	—	1,164,504	3(c)	1,392,443
	2,826,945	449,022	2,376,539	(18,263)		5,185,221

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group as at 31 December 2015	The Target Group as at 31 December 2015		Pro forma adjustments	Note	The Enlarged Group
	HK$'000	*NZ$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*			
Revenue	838,138	445,438	2,417,704			3,255,842
Cost of sales	(674,129)	(306,310)	(1,662,559)			(2,336,688)
Gross profit	164,009	139,128	755,145			919,154
Other income, gains and losses	66,573	7,050	38,265			104,838
Gain on fair value change of warrants	79	—	—			79
Administrative expenses	(119,048)	(68,509)	(371,846)	(18,263)	4	(509,157)
Share of results of associates	8,754	11,667	63,325			72,079
Finance costs	(88,929)	(17,805)	(96,640)			(185,569)
Profit before tax	31,438	71,531	388,249	(18,263)		401,424
Income tax credit (expense)	536	(9,692)	(52,605)			(52,069)
Profit for the year	31,974	61,839	335,644	(18,263)		349,355
Other comprehensive (expense) income						
Item that will not be reclassified to profit or loss:						
Exchange differences arising on translation:						
Exchange difference arising during the year	(104,318)	—	—			(104,318)
Exchange difference arising from associates during the year	(4,511)	—	—			(4,511)
Items that may be reclassified subsequently to profit or loss:						
Cash flow hedges:						
Effective portion of changes in fair value of hedging instruments	—	20	109			109
Exchange difference arising on translation	—	—	(8,351)			(8,351)
Fair value gain on available-for-sale financial assets	5,922	—	—			5,922

	The Group as at 31 December 2015	The Target Group as at 31 December 2015		Pro forma adjustments	Note	The Enlarged Group
	HK$'000	*NZ$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*			
Other comprehensive (expense) income for the year (net of tax)	(102,907)	20	(8,242)			(111,149)
Total comprehensive (expense) income for the year	(70,933)	61,859	327,402	(18,263)		238,206
Profit for the year attributable to:						
Owner of the Company	23,518	61,839	335,644	(164,466)	3(c)	176,433
				(18,263)		
Non-controlling interests	8,456	—	—	164,466	3(c)	172,922
	31,974	61,839	335,644	(18,263)		349,355
Total comprehensive (expense) income attributable to:						
Owner of the Company	(75,613)	61,859	327,402	(18,263)	4	73,099
				(160,427)	3(c)	
Non-controlling interests	4,680	—	—	160,427	3(c)	165,107
	(70,933)	61,859	327,402	(18,263)		238,206

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group as at 31 December 2015	The Target Group as at 31 December 2015		Pro forma adjustments	Note	The Enlarged Group
	HK$'000	*NZ$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*			
OPERATING ACTIVITIES						
Profit for the year	31,974	61,839	335,644	(18,263)	4	349,355
Adjustments for:						
Income tax (credit) expense	(536)	9,692	52,605			52,069
Depreciation of property, plant and equipment	16,504	38,325	208,017			224,521
Amortisation of prepaid lease payments	1,736	—	—			1,736
Finance costs	88,929	17,805	96,640			185,569
Interest income	(106,479)	(1,839)	(9,982)			(116,461)
Impairment loss recognised in respect of deposits, prepayments and other receivables	18,273	—	—			18,273
Impairment loss recognised in respect of trade receivables	—	155	841			841
Reversal of impairment loss recognised in respect of amount due from an investee	(27,364)	—	—			(27,364)
Reversal of impairment loss recognised in respect of other receivables	(30,560)	—	—			(30,560)
Share of results of associates	(8,754)	(11,667)	(63,325)			(72,079)
Gain on fair value change of warrants	(79)	—	—			(79)
Loss on disposal of available-for-sale investments	927	—	—			927
Loss (gain) on disposal of property, plant and equipment	1,281	(793)	(4,304)			(3,023)
Gain on step acquisition	—	(4,581)	(24,864)			(24,864)
Amortisation of intangible assets	24,972	9,048	49,110			74,082

	The Group as at 31 December 2015 HK$'000 (Note 1)	The Target Group as at 31 December 2015 NZ$'000 (Note 2)	HK$'000 (Note 2)	Pro forma adjustments HK$'000	Note	The Enlarged Group HK$'000
Operating cash flows before movements in working capital	10,824	117,984	640,382	(18,263)		632,943
(Increase) decrease in inventories	(5,986)	139	754			(5,232)
Increase in trade receivables	(109,340)	(1,554)	(8,435)			(117,775)
Increase in deposits, prepayments and other receivables	(59,263)	(1,268)	(6,882)			(66,145)
(Increase) decrease in amounts due from grantors for contract work	(75,747)	—	—			(75,747)
(Decrease) increase in trade payables	(99,396)	164	890			(98,506)
(Decrease) increase in other payables and accruals	(147,973)	2,174	11,800			(136,173)
Increase in assets held for sale	—	(438)	(2,377)			(2,377)
Increase in deferred income	3,506	—	—			3,506
Cash (used in) from operations	(483,375)	117,201	636,132	(18,263)		134,494
Hong Kong profits tax paid	—	(5,098)	(27,670)			(27,670)
Tax paid for other jurisdictions	—	(12,717)	(69,024)			(69,024)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(483,375)	99,386	539,438	(18,263)		37,800

	The Group as at 31 December 2015	The Target Group as at 31 December 2015		Pro forma adjustments	Note	The Enlarged Group
	HK$'000	NZ$'000	HK$'000	HK$'000		HK$'000
	(Note 1)	(Note 2)	(Note 2)			
INVESTING ACTIVITIES						
Deposits paid to contractors for construction of infrastructure in service concession arrangements	(61,099)	—	—			(61,099)
Purchase of property, plant and equipment	(26,975)	(49,358)	(267,900)			(294,875)
Proceeds on disposal of property, plant and equipment	718	2,556	13,873			14,591
Repayment from amount due from an investee	27,364	—	—			27,364
Interest received	24,055	1,839	9,982			34,037
Acquisition of subsidiaries	(5,932)	(12,675)	(68,796)			(74,728)
Withdrawal of pledged bank deposits	22,077	—	—			22,077
Dividend received from associates	—	8,210	44,561			44,561
Additions to prepaid land premiums and intangible assets	—	(75)	(407)			(407)
Proceeds from sale of available-for-sale investments	3,344	—	—			3,344
Investment reimbursement	—	888	4,820			4,820
Purchase of available-for-sale investments	(101,556)	—	—			(101,556)
NET CASH USED IN INVESTING ACTIVITIES	(118,004)	(48,615)	(263,867)			(381,871)
FINANCING ACTIVITIES						
Proceeds from issue of ordinary shares	2,129,177	—	—			2,129,177
Repayment of borrowings	(1,205,085)	(969)	(5,259)			(1,210,344)
Interest paid	(88,235)	(247)	(1,341)			(89,576)
Bank and other charges paid	(11,918)	—	—			(11,918)
Share issuance expenses	(15,479)	—	—			(15,479)
Dividends paid	—	(9,000)	(48,849)			(48,849)
New borrowings raised	558,988	—	—			558,988
Capital contribution from non-controlling interest of subsidiaries	1,225	—	—			1,225

	The Group as at 31 December 2015	The Target Group as at 31 December 2015		Pro forma adjustments	Note	The Enlarged Group
	HK$'000	*NZ$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*			
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,368,673	(10,216)	(55,449)			1,313,224
NET INCREASE IN CASH AND CASH EQUIVALENTS	767,294	40,555	220,122	(18,263)		969,153
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(27,883)	—	(13,044)			(40,927)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	468,231	56,045	304,197			772,428
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,207,642	96,600	511,275	(18,263)		1,700,654
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS						
Bank balances and cash	1,201,352	96,600	511,275	(18,263)		1,694,364
Cash and cash equivalent classified as assets held for sale	6,290	—	—			6,290
	1,207,642	96,600	511,275	(18,263)		1,700,654

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Figures are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2015 as set out in the 2015 annual report of the Company.

2. For the purposes of this Unaudited Pro Forma Financial Information, the unadjusted consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Target Group for the year ended 31 December 2015 are translated into the Hong Kong dollars using an exchange rate of NZ$1 to HK$5.4277, being the average exchange rate adopted by the Group for the year ended 31 December 2015, and the unadjusted consolidated statement of financial position of the Target Group as at 31 December 2015 are translated into Hong Kong dollars using an exchange rate of NZ$1 to HK$5.2927, being the exchange rate adopted by the Group as at 31 December 2015. Also, certain reclassification adjustments are made to conform with the presentation of the Group's financial information. No representation is made that NZ$ amounts have been, could have been or could be converted into HK$, or vice versa, at that rate or at any other rates or at all.

3. (a) The adjustment represents the total consideration of US$234.4 million (equivalent to approximately HK$1,816.6 million), based on the valuation on the Target Group as at 31 December 2015 conducted by the Independent Valuer, APAC Asset Valuation and Consulting Limited, to be satisfied by the allotment and issuance of approximately 4,541,574,877 shares at an issue price of HK$0.40 per share by the Company to the Vendors.

   For the purpose of the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming the Acquisition was completed on 31 December 2015, the fair value of the Consideration Shares is approximately HK$1,816,630,000 which is based on the closing share price of the Company as at 31 December 2015 of HK$0.40 per share of which an amount of approximately HK$454,157,000 was credited to the share capital at par value of HK$0.10 per share of the Company and the remaining approximately HK$1,362,473,000 was credited to the share premium of the Company.

(b) Prior to the Acquisition, the Target Company and the Company were under common control of Beijing Capital Group Co., Ltd. Upon completion of the Acquisition, the assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group using merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The adjustment represents (i) elimination of the share capital and reserves of the Target Company and (ii) recognition of merger reserve of HK$763,946,000.

(c) The adjustment represents the attribution of the profit or loss and total equity of the Target Company to the non-controlling interest of the Target Company. The adjustment has no effect on the Group's profit for the year and the total net comprehensive income for the year.

4. The adjustment represents expenditures incurred directly in connection with the Acquisition including financial advisor fees, legal fees, printing costs, accountants' fees, and other related expenses to be borne by the Group of approximately HK$18,263,000. The adjustment has no continuing effect to the Enlarged Group but will be reflected in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group in the year these expenses are actually incurred.

5. The amount of pro forma intangible assets of the Enlarged Group represents trade name, licences, service concession arrangements, customer contracts and others amounted to HK$828,165,000, HK$632,585,000, HK$387,949,000, HK$161,212,000 and HK$6,520,000 respectively.

6. The Directors have assessed whether there is any impairment on the pro forma goodwill and intangible assets as at 31 December 2015 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") and concluded that there is no impairment in respect of the pro forma goodwill and intangible assets with indefinite useful life (i.e. trade name) of the Enlarged Group.

   For the purpose of impairment testing, pro forma goodwill and intangible assets with indefinite useful life have been allocated to two cash generating units ("CGUs"). The recoverable amount of the CGUs has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets covering a five-year period approved by management and discount rate in range from 7.8% to 12.6%. Key assumptions of the value in use calculations relate to the estimation of cash inflows or outflows which include budgeted gross margins and budgeted growth rate. Such estimation is based on the CGUs' past performance and the management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGUs.

The Directors have also reviewed the carrying amounts of the pro forma intangible assets with finite useful lives (i.e. licences, service concession arrangements, customer contracts and others) as at 31 December 2015 and determined that there is no indication that these assets have suffered an impairment loss.

The Directors confirmed that they will apply consistent accounting policies, principal assumptions and methodology to assess impairment of goodwill and intangible assets in subsequent reporting periods in accordance with the requirement of HKAS 36.

7. For the purpose of this Unaudited Pro Forma Financial Information, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2015.

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation is this circular in respect of the unaudited pro forma financial information of the Enlarged Group.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CAPITAL ENVIRONMENT HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Capital Environment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2015, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2015, and related notes as set out in Appendix V to the circular issued by the Company dated 8 June 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix V to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 51% issued share capital of BCG NZ Investment Holding Company Limited (the "Acquisition") on the Group's financial position as at 31 December 2015 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Acquisition had taken place on 31 December 2015 and 1 January 2015 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2015 on which an independent auditor's report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 or 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial Information.

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

Opinion

In our opinion:

(a) the pro forma financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 June 2016

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The Directors
Capital Environmental Holdings Limited
Unit 1613–1618
16th Floor
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

8 June 2016

Dear Sirs,

VALUATION OF 51% EQUITY INTEREST IN BCG NZ INVESTMENT HOLDING LIMITED, ITS SUBSIDIARIES AND 50% CONTROLLED JOINT VENTURE ENTITIES

Pursuant to the terms, conditions and purpose of an engagement agreement, we have assisted Capital Environmental Holdings Limited (the "Company") in the valuation analysis ("Valuation") to determine the Market Value (to be defined below) of 51% equity interest in BCG NZ Investment Holding Limited, its subsidiaries and 50% controlled joint venture entities (the "Target Group") as at 31 December 2015 (the "Valuation Date").

PURPOSE OF VALUATION

The purpose of this valuation is to assist the Company in the determination of Market Value of the Target Group based on the historical financial information, underlying assumptions and information provided by the management of the Target Group and the Company for public documentation reference purpose. No third party shall have the right of reliance on this report and neither receipt nor possession of this report by any third party shall create any express or implied third-party beneficiary rights.

We relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the Target Group provided by the management of the Company.

The intended use of the Valuation is to serve as basis for the compliance and internal reference purpose. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Group rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, solvency opinion or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the Valuation and underlying assumptions.

STANDARD OF VALUE

Our valuation is our opinion of the Market Value which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

PREMISE OF VALUE

This report is prepared using the premise that the subject Target Group is a going concern. This means that it is presumed that in the future, the assemblage of assets, resources and income producing items will continue to generate cash flow.

BRIEF DESCRIPTION OF THE TARGET GROUP

The Target Group has over a century of continuing operation and is the largest waste management service provider in New Zealand with an over 30% market share and has established a national network of vertically integrated local waste systems. It provides comprehensive waste management services, ranging from collection, recycling, waste disposal to hazardous and industrial waste treatment and serves more than 200,000 customers in New Zealand. The services provided by the Target Group primarily include the following:

- residential collections: curbside collection and transportation of household waste to transfer stations or disposal facilities, with long-term contracts generally awarded by local councils;

- commercial collections: regular and ad-hoc waste collection and transportation from commercial, industrial and construction customers to transfer stations or direct to disposal facilities;

- solid waste processing and disposal service: developing, investing and operating modernized landfills, transfer stations and recycling facilities across New Zealand; and

- liquid & hazardous waste service: collection, processing, treatment and recycling of hazardous and non-hazardous liquid waste, medical wastes, solids (including packaged goods requiring secure disposal) and solvents.

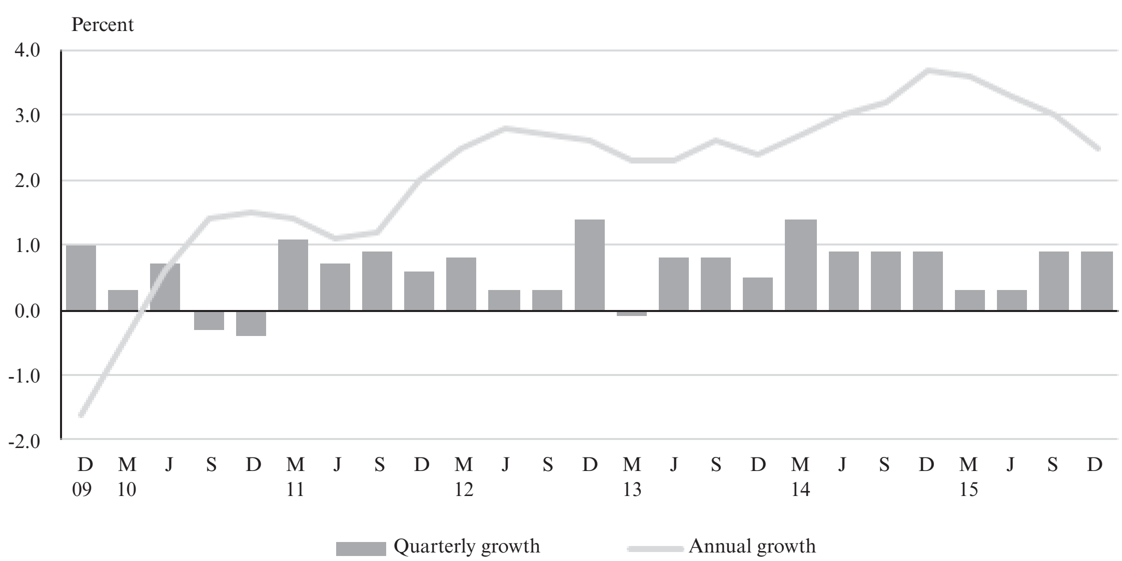
The Target Company is a company incorporated with limited liability under the laws of Hong Kong on 28 March 2014 by BCG, as a holding company for the purpose of acquiring Beijing Capital waste Management NZ Limited and its subsidiaries through its wholly-owned subsidiary Beijing Capital Group NZ Investment Holding Limited. The Target Group includes the Target Company, its subsidiaries and 50% controlled joint venture entities.

ECONOMIC OVERVIEW

New Zealand has a small open economy which operates on free market principles. It has a sizable manufacturing and a large services sector complementing a highly efficient export-oriented agricultural sector. Primary commodities account for more than half of total goods exports while exports of goods and services represent around one third of real expenditure GDP. New Zealand's high proportion of winter sunshine hours and considerable rainfall provide an ideal base for pastoral agriculture, forestry, horticulture and hydro-electricity generation. New Zealand is also a popular overseas visitor destination and tourism is an important source of export income.

The Gross Domestic Product (GDP) in New Zealand expanded 2.30 percent in the fourth quarter of 2015 over the same quarter of the previous year. GDP Annual Growth Rate in New Zealand averaged 2.29 percent from 1988 until 2015, reaching an all-time high of 7.30 percent in the third quarter of 1993 and a record low of -3.40 percent in the first quarter the Statistic of 2009. GDP Annual Growth Rate in New Zealand is reported by the Statistics New Zealand (statistics published by New Zealand Government).

Gross Domestic Product:



Source of data: Statistics New Zealand

Global economic growth is expected to recover gradually in 2016, following a downturn in 2015, as policies support demand and recoveries become entrenched. However, the outlook for New Zealand's trading partner growth is weaker throughout the forecast horizon compared with the Budget Update. At present, risks to the global economy are skewed to the downside, particularly in relation to the risk of a sharp slowing of growth in China and its impact on other economies, and the risk of the impact of monetary policy tightening in the US on emerging market economies.

Source: New Zealand Economic and Financial Overview 2014, Half Year Economic and Fiscal Update and Statistics New Zealand, all of which are published by New Zealand Government

INDUSTRY OVERVIEW

Globally, waste generation is growing rapidly in all but the high-income regions of the world, as populations rise, migration to cities continues, and economies develop. In 2010, the traditional high-income countries accounted for around half of all waste generation. That is forecast to change quickly, with Asia overtaking these countries in terms of overall Municipal Solid Waste ("MSW") generation by around 2030 and Africa potentially overtaking both later in the century.

MSW generation rates vary widely within and between countries. The generation rates depend on income levels, socio-cultural patterns and climatic factors.

A recent report published in 2012 by World Bank, What a Waste, is among the most widely cited studies. According to this study, the amount of MSW generated is growing faster than the rate of urbanization. World Bank estimates that roughly 3 billion urban residents generated an average 1.2 kg per capita per day (1.3 billion tonnes per year or 1.43 billion tons per year) in 2012. By 2025, this is expected to increase to 4.3 billion urban residents generating about 1.42 kg per capita per day of MSW (2.2 billion tonnes per year or 2.4 billion tons per year). This represents a 900 million tonnes (992 million tons) increase in a little over a decade, a near doubling of the total volume of MSW generated globally today.

Waste generation projections for 2025 by region

	Current Available Data			Projections for 2025			
		Urban Waste Generation		Projected Population		Projected Urban Waste	
Region	Total Urban Population (millions)	Per Capita (kg/capita/day)	Total (tons/day)	Total Population (millions)	Urban Population (millions)	Per Capita (kg/capita/day)	Total (tons/day)
Africa region	260	0.65	169,119	1,152	518	0.85	441,840
East Asia and Pacific region	777	0.95	738,958	2,124	1,229	1.5	1,865,379
Europe and Centre Asia region	227	1.1	254,389	339	239	1.5	354,810
Latin America and the Caribbean region	399	1.1	437,545	681	466	1.6	728,392
Middle East and North Africa region	162	1.1	173,545	379	257	1.43	369,320
Organisation for Economic Co-operation and Development	729	2.2	1,566,286	1,031	842	2.1	1,742,417
South Asia region	426	0.45	192,410	1,938	734	0.77	567,545
Total	2,980	1.2	3,532,252	7,644	4,285	1.4	6,069,703

Source of data: World Bank

Recently surpassing 7 billion people, the world's population is not only growing in number, but its propensity to consume is also accelerating. By 2030, the global population is forecast to reach 8.6 billion, with growth highest in countries in Asia Pacific, Latin America, and Africa. As a result, the amount of MSW generated throughout the world continues to accelerate despite stabilizing volume growth in many high-income economies. With waste generation rates set to more than double over the next 20 years in low- and middle-income countries, the costs of managing the waste is also expected to see a steep rise. Cost increases will be most severe in low-income countries (more than fivefold increases) followed by middle-income countries (more than fourfold increases), according to World Bank.

The management of waste in New Zealand has become more regulated to reduce associated environmental issue. In 2008, Waste Minimisation Act 2008 (the Act) was launched to encourage waste minimisation and a decrease in waste disposal to protect the environment from harm and provide environmental, social, economic and cultural benefits. From 1 July 2009, the Waste Minimisation Act introduced a waste disposal levy of $10 per tonne (plus GST) on all waste disposed of at disposal facilities. The purpose of this levy is to raise revenue to promote and achieve waste minimisation and recognise the cost of waste disposal on the environment, society and the economy by increasing the cost of waste disposal. New Zealand government is highly concern with waste management and the waste management industry in New Zealand is comparatively matured and well developed.

Sources: "What a waste" a global review of solid waste management published by the World Bank, "New Zealand Waste Strategy" published by New Zealand Government and "Global Waste Management Outlook" published by United Nations Environment Programme

VALUATION METHODOLOGY AND BASIS

We have conducted the Valuation in accordance with the International Valuation Standards, published by The International Valuation Standards Council, which is an independent, not-for-profit organisation that produces and implements universally accepted standards for the valuation of assets across the world in the public interest. The valuation procedures employed include an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Group. All matters we consider essential to the proper understanding of the Valuation are disclosed in our valuation report.

We have been furnished with the information in respect of the Target Group provided by the Target Group and the Company. We have relied substantially on the information provided in the Valuation. The information included, but not limited to, the following:

- Background of the Target Group and relevant corporate information;
- Historical financial Information of the Target Group;
- Bloomberg database and other sources of market data;
- The business risks of the Target Group;
- Relevant licenses and agreements; and
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market.

We have assumed that the data and information we obtained in the course of the Valuation, along with the opinions and representations provided to us by the Target Group and the Company are true and accurate and accepted them without independent verification.

In arriving at our assessed value, we have relied on the market approach in the Valuation.

Selection of Valuation Multiples

In our valuation, we have considered various commonly used valuation multiples, including (i) price to earnings ("P/E"); (ii) price to sales ("P/S"); (iii) price to net book value ("P/B"); enterprise value to earnings before interest and tax ("EV/EBIT") and (iv) enterprise value to earnings before interest, tax, depreciation and amortization ("EV/EBITDA"). Based on the nature of the subject businesses, we consider that EV/EBIT and EV/EBITDA multiples are the most appropriate in this valuation and therefore have been adopted. The multiples selection assessments are as follows:

P/S multiple ignores the cost structure of a company and hence the profitability of a company, which is critical in reflecting the market value of the equity interests. Such multiple was not suitable in our valuation.

P/B multiple is usually adopted in the valuation of asset-intensive companies. However, it does not take into consideration of the value contributed by the intangible assets. Therefore, it is not appropriate in this valuation as the Target Group has a significant number of intangible assets including trademarks, patents and copyrights etc.

P/E multiple may not fully take into account of difference between the capital structure of the Target Group and the comparable companies because the P/E multiple does not factor in the amount of debt that a company carries on its balance sheet as at the Valuation Date.

We consider EV/EBIT and EV/EBITDA multiples as the most relevant and therefore have been adopted in our valuation as: (i) EV/EBIT is the most commonly used valuation multiple and EBIT is the one of the most direct driver of equity value; and (ii) EV/EBITDA takes into account of difference in capital structures of different companies.

We have adopted the market approach known as the EV/EBIT and EV/EBITDA multiple methodologies to assess the Market Value of the Target Group. Under this methodology, Market Value is determined by multiplying the EBIT and EBITDA of the Target Group to a multiplier called EV/EBIT multiple and EV/EBITDA multiple respectively with regard to the risks and nature of the business. In estimating the EV/EBIT and EV/EBITDA, reference has been made to the historical operating results of some companies with similar business nature and whose ownership interests are publicly trades. The detail of calculation formula and inputs are as follows:

EV/EBIT multiple = Business Enterprise Value/Earnings before interest and tax

EV/EBITDA multiple = Business Enterprise Value/Earnings before interest, tax, depreciation and amortization

Where

Business Enterprise Value = Equity Value (or Market Capitalization) + Debt – total cash and cash equivalents

For the purpose of our valuation, we have also derived the Market Value of the Target Group based on the available information and presently prevailing operating conditions of the business and by taking into consideration other pertinent factors which basically include the followings:

— the market and the business risks of the Target Group;

— the general economic outlook as well as specific investment environment for the Target Group;

— the nature and current financial status of the Target Group;

— the historical performance of the Target Group;

— the assumptions as stated in the Assumptions of this report.

IDENTIFICATION OF SUITABLE COMPARABLE COMPANIES

We have identified relevant comparable companies listed on the stock exchange in different countries. The selection criteria are: (i) principally engaged in the business in relation to waste management; (ii) income mainly from the developed countries as only limited number of appropriate comparable listed companies operating in New Zealand was noted. As a general valuation practice, similar developing stage of the countries were selected, i.e. developed countries; (iii) the comparable company's information must be publicly available; and (iv) other qualitative factors such as adequate historical data, no long suspension period, profitability of comparable companies, etc, and we considered that the following companies fulfilled these criteria. The EV/EBIT and EV/EBITDA ratios of comparable companies included in our valuation were as follows:

Name and Stock Code	Listing location	Key operating location	As at 31 December 2015 EV/EBIT	EV/EBITDA
Seche Environnement SA	France	France	14.12	7.31
Shanks Group PLC	United Kingdom	Netherlands, United Kingdom and Belgium	25.83	9.85
Cleanaway Waste Management Ltd.	Australia	Australia and New Zealand	22.94	7.21
Progressive Waste Solutions Ltd.	United States	Canada	18.81	8.65
Waste Connections Inc.	United States	United States	20.76	12.89
Republic Services Inc.	United States	United States	15.22	8.99
Waste Management Inc.	United States	United States	14.99	9.58
Tox Free Solutions Ltd.	Australia	Australia	11.61	6.26
US Ecology Inc.	United States	Canada	14.57	9.63
Lassila & Tikanoja OYJ	Finland	Finland	11.56	7.49
Stericycle Inc.	United States	United States and Europe	20.53	17.22
		Median	**15.22**	**8.99**
		Average	**17.36**	**9.55**

Source: Bloomberg or other public sources

The median multiples of the comparable companies are commonly adopted in general valuation practice to avoid the outlier impact of the comparable companies. We have noted that the average multiples are relatively higher compared with the median multiples in respect of outlier impact of some comparable companies. For prudence of sake, the median multiples were adopted and we considered it was fair and appropriate in our valuation.

LACK OF MARKETABILITY DISCOUNT

In general, the privately held companies are not readily marketable and can be converted into cash if the owner sell it compared with publicly held companies. The lack of marketability discount will be considered in the privately held company in the valuation.

We have considered various research studies regarding the lack of marketability discount and restricted stock, including William L. Silber, "Discounts on Restricted Stock: The Impact of Illiquidity on Stock Prices" (1991), B. A. Johnson, "Quantitative Support for Discounts for Lack of Marketability" (1999), FMV Opinions Inc., "The FMV Restricted Stock Study" (2001) regarding restricted stock in developed overseas markets and Ted D. Englebrecht, "An Empirical Investigation Of The Minority Interest And Marketability Discounts In Valuation Of Closely Held Stock".

The above restricted stock and lack of marketability discount studies examined transactions in the shares of public companies to gauge the impact of the absence of marketability on shares of closely held businesses. The studies stated that the average lack of marketability discount is ranged from 20% to 35%.

Restricted stock is stock of a publicly traded company that is restricted from trading for a specific period of time. It is identical to the publicly traded stock except that it is not freely traded. Although restricted stock cannot be sold in the public markets, it can be sold in private transactions.

After considering the above studies and qualitative analysis (business nature, reliance on the top management, etc) of the Target Group, we considered that a discount for lack of marketability for privately controlled ownership interest of 30% is appropriate according to our professional judgement and experience for prudence of sake (near high end of the range of lack of marketability discount in the above studies). As the companies involved in the studies belong to different industries and several studies have been considered, we considered that it is fair and appropriate to adopt such marketability discount in our valuation.

CONTROL PREMIUM

As the valuation determined from market approach reflects value from a minority shareholder's viewpoint, a control premium is required to consider in our valuation to determine 51% equity interest in the Company. A research Ted D. Englebrecht, "An Empirical Investigation of the Minority Interest and Marketability Discounts in valuation of closely Held Stock" regarding the minority interest discount stated that the average minority discount is approximately 15%, which implied that the control premium is about 20% (Control premium = 1/(1 – minority discount) – 1). We considered that it is fair and appropriate to adopt such control premium in our valuation according to our professional judgement and experience.

Sensitivity Analysis

We have carried out a sensitivity analysis on the Market Value of the Target Group in respect of the lack of marketability discount and control premium independently used in our valuation model. The results of sensitivity analysis were as follows:

Lack of marketability discount

Percentage change	Marketability discount	Market Value of the Target Group
+20%	36%	NZ$321 million
+10%	33%	NZ$337 million
0%	30%	NZ$352 million
–10%	27%	NZ$367 million
–20%	24%	NZ$382 million

Control premium

Percentage change	Control premium	Market Value of the Target Group
+20%	24%	NZ$363 million
+10%	22%	NZ$357 million
0%	20%	NZ$352 million
–10%	18%	NZ$346 million
–20%	16%	NZ$340 million

We have been provided with extracts of copies of relevant documents and financial information relating to the Target Group. We have relied upon the aforesaid information in forming our opinion of Market Value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material to the valuation. We have also been advised by the Target Group and the Company that no material facts have been omitted from the information provided. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors.

ASSUMPTIONS

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of assumptions have been made in the preparation of the reported assessed figures. The assumptions are:

- We have assumed that the accuracy of financial and operational information provided to us by the Target Group and the Company and relied to a considerable extent on such information in arriving at our opinion of value;
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value;
- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;
- There will be no major changes in the current taxation law in the areas in which the Target Group carries on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with;
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;
- The Target Group will retain their key management and technical personnel to maintain their ongoing operations;
- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;
- The Target Group will remain free from claims and litigation against the business or its customers that will have a material impact on value;
- The Target Group are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements;
- The businesses are not subject to any unusual or onerous restrictions or encumbrances; and
- The potential bad debt of the Target Group will not materially affect their business operations.

LIMITING CONDITIONS

We have to a considerable extent relied on the financial data and other related information provided by the Target Group and the Company. We are not in a position to comment on the lawfulness of the business.

In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

MANAGEMENT CONFIRMATION OF FACTS

A draft of this report and our calculation has been sent to management of the Target Group and the Company. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

REMARKS

Unless otherwise stated, all money amounts are stated in New Zealand dollar at the exchange rate of HK$5.2927/NZ$.

We hereby confirm that we have neither present nor prospective interest in the Company, subsidiaries and associated companies, or the value reported herein.

The conclusion of value is based on accepted valuation procedures and practices that rely on substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Group, the Company and us.

OPINION OF THE VALUE

Based on the investigation and analysis stated above and on the method employed, we are of the opinion that Market Value of 51% equity interest in the Target Group as at 31 December 2015 was reasonably stated by the amount of NZ$352 million (equivalent to approximately HK$1,863 million). The summary of valuation was enclosed.

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited

S. C. Tsoi
MFin ICVS
Director

Note: Mr. S. C. Tsoi is the master of finance holder and the International Certified Valuation Specialist. He has over 10 years of professional experiences in banking, finance, investment consulting, financial analysis and valuation. His valuation experience covers Hong Kong, Mainland China, Taiwan and other overseas countries in different industries, including IT, retail, manufacturing, trading, mining, etc.

SUMMARY OF VALUATION

Valuation Multiples adopted		**EV/EBIT**	**EV/EBITDA**
Median of multiples of comparable companies	A	15.22	8.99
Actual results (after minority interest) for 12 months ending 31 Dec 2015 *(NZ$'000)*	B	89,336	136,710
Business enterprise value *(NZ$'000)*	C = A x B	1,359,694	1,229,023
Less: Debt of the Target Group as at 31 Dec 2015 *(NZ$'000)*	D	570,000	570,000
Add: Cash and cash equivalents of the Target Group as at 31 Dec 2015 *(NZ$'000)*	E	96,600	96,600
Equity Value* *(NZ$'000)*	C – D + E	886,294	755,623
Weightings**		50%	50%
Equity Value of the Target Group before marketability discount *(RMB'000)*		820,959	
Marketability discount		–30%	
Control Premium		20%	
Equity Value of the Target Group after marketability discount and control premium *(NZ$'000)*		689,605	
51% equity interest in the Target Group *(NZ$'000)*		352,000	

* *Equity Value = Business Enterprise Value (after minority interest) – Debt + Surplus Cash*

** *As we considered that EV/EBIT multiples and EV/EBITDA multiples are equally important to determine the equity value of the Target Group, 50% weighting was applied to each multiple and it was commonly considered in the market.*

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. DISCLOSURE OF INTERESTS

1. Interests of Directors

As at the Latest Practicable Date, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

2. Interests of substantial shareholders

So far as it is known to the Directors, as at the Latest Practicable Date, the following shareholders (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares/ underlying shares held	Approximate percentage of shareholding
Beijing Capital (HK) *(Note 1)*	Beneficial owner	5,001,008,931	51.28
BC Water *(Note 1)*	Beneficial owner	23,210,000	0.23
Beijing Capital *(Note 1)*	Interest in controlled corporations	5,024,218,931	51.51
Beijing Capital Group *(Note 1)*	Interest in controlled corporations	5,024,218,931	51.51

Note:

1. Both Beijing Capital (HK) and BC Water are wholly-owned subsidiaries of Beijing Capital. Beijing Capital is in turn controlled by Beijing Capital Group. For the purposes of the SFO, Beijing Capital and Beijing Capital Group are deemed to have interest in the Shares held by Beijing Capital (HK) and BC Water.

Save as disclosed above and so far as the Directors are aware of, as at the Latest Practicable Date, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

C. SHARE CAPITAL

Set out below are the authorized and issued share capital of the Company:

1. as at the Latest Practicable Date:

		HK$
Authorized		
15,000,000,000	Shares	1,500,000,000
Issued and fully paid		
9,753,158,290	Shares	975,315,829

2. immediately after allotment and issuance of the Consideration Shares:

		HK$
Authorized		
15,000,000,000	Shares	1,500,000,000
Issued and fully paid		
9,753,158,290	Shares in issue as at the Latest Practicable Date	975,315,829
4,541,574,877	Consideration Shares	454,157,487.7
14,294,733,167		1,429,473,316.7

All the issued Shares rank *pari passu* with each other in all respect including the rights in respect of capital, dividends and voting.

D. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

E. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

F. LITIGATION

As at 31 December 2015, the Group had an advance payment to a third party supplier, 城市建設研究院 (Urban Construction Design & Research Institute*) ("Urban Construction Institute"), with an aggregate carrying amount of approximately HK$47,792,000, net of impairment loss. During the year ended 31 December 2015, the Group lodged an appeal to the 南昌仲裁委員會 (Nanchang Arbitration Committee*) and requested a cash refund for all the deposits of approximately HK$154,535,000 paid to Urban Construction Institute and the relevant interest loss of approximately HK$51,462,000. The appeal was allowed 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 as compensation for the expenses that the institute had incurred. The appeal made by the Group to the Nanchang Arbitration Committee was 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.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the members of the Enlarged Group.

G. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

H. MATERIAL CONTRACTS

Save as disclosed below, during the two years immediately preceding the Latest Practicable Date, there are no contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Enlarged Group, entered into by the Enlarged Group and are or may be material.

(a) the supplemental deed dated 19 November 2014 entered into between the Company and Beijing Capital (HK) in respect of the amendment of certain terms and conditions of the Convertible Bonds;

(b) the underwriting agreement dated 21 April 2015 entered into between the Company and the underwriter, BCG in respect of the rights issue on the basis of one rights share for every one share held on the record date;

(c) the asset and equity transaction contract dated 12 November 2015 entered into between J&B Environment Limited (安柏環保工程有限公司), an indirectly wholly-owned subsidiary of the Company, and Beijing Environment Sanitation Engineering Group Company Limited* (北京環境衛生工程集團有限公司) in respect of disposal of 40% equity interest in a subsidiary;

(d) the sale and purchase agreement dated 8 August 2014 between Waste Management NZ as the purchaser, Forte Investments 2004 Limited as the vendor and Robert George Mappin Fenwick, Kenneth John Purcell Tapper and Roger Neil Wark as the covenantors, in respect of the purchase of 50% of the issued shares of Living Earth Limited by Waste Management NZ for NZ$8,801,000;

(e) the sale and purchase agreement dated 11 June 2015 between Waste Management NZ as the purchaser, Gordies Bins Limited and Gordies Management Limited as the vendors and Gordon Stuart McCalman as the covenantor in respect of the purchase of the business of waste and recycling services carried on by the vendors and the related assets by Waste Management NZ for NZ$2.3 million, subject to certain adjustments;

(f) the sale and purchase agreement dated 5 May 2015 between Waste Management NZ as the purchaser, Waste Services Marlborough Limited as the vendor and Patrick North as the covenantor in respect of the purchase of the business of waste and recycling services carried on by the vendor and the related assets by Waste Management NZ for NZ$2.5 million, subject to certain adjustments; and

(g) the Acquisition Agreement.

I. EXPERT'S CONSENT AND QUALIFICATIONS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualifications
China Galaxy International Securities (Hong Kong) Co., Limited	A licensed corporation for carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants

Name	Qualifications
Ernst & Young	Certified Public Accountants
APAC Asset Valuation and Consulting Limited	Independent Professional Valuer

As at the Latest Practicable Date, each of the experts named above did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which had been, since the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) and/or report(s) and/or valuation certificate(s) and/or opinion(s) and the references to their names included herein in the form and context in which they are respectively included.

J. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest audited consolidated financial statements of the Group were made up.

K. CORPORATE INFORMATION

Company Secretary	:	Wong Bing Ni
Registered Office	:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business	:	Unit 1613–1618, 16/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong

Ms. Wong is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a master degree in Professional Accounting and she has over ten years of experience in company secretarial matters, internal control and financial management which acquired from Hong Kong listed companies.

L. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours, Monday to Friday (other than public holidays) at the principal place of business of the Company at Unit 1613–1618, 16/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for a period of 14 days from the date of this circular:

(a) the Acquisition Agreement;

(b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 38 to 39 of this circular;

(c) the letter from China Galaxy, the text of which is set out on pages 40 to 70 of this circular;

(d) the annual reports of the Company for each of the three years ended 31 December 2013, 2014 and 2015;

(e) the Accountants' Report on the Target Group prepared by Ernst & Young, the text of which is set out in Appendix III to this circular;

(f) the Accountants' Report on BCWMNZ Group prepared by Ernst & Young, the text of which is set out in Appendix IV to this circular;

(g) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix V to this circular;

(h) the Business Valuation Report from APAC Asset Valuation and Consulting Limited, the texts of which are set out in Appendix VI to this circular;

(i) the consent letters referred to in the paragraph headed "I. Expert's consent and qualifications" in this appendix;

(j) the material contracts referred to in paragraph headed "H. Material Contracts" of this appendix;

(k) this circular; and

(l) the memorandum and articles of association of the Company.

M. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

CAPITAL ENVIRONMENT HOLDINGS LIMITED
首 創 環 境 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of Capital Environment Holdings Limited (the "Company") will be held at Unit 1613–1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 24 June 2016 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution no.(s) 1 to 2 as ordinary resolutions of the Company, with or without amendments:

Capitalized terms used in this notice shall have the same meaning as those defined in the Circular of the Company dated 8 June 2016 to the Shareholders (the "Circular") unless otherwise specified.

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the Acquisition Agreement dated 26 November 2015 entered into between the Company and the Vendors in respect of the Acquisition and the transactions contemplated therein, be and are hereby approved, confirmed and ratified;

   (b) the allotment and issue of the Consideration Shares on and subject to the terms of the Acquisition Agreement, be and are hereby approved;"

2. "**THAT**:

   the Directors be and are hereby authorized to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the above resolution no. 1."

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

Hong Kong, 8 June 2016

Notes:

(1) The register of members of the Company will be closed for registration of transfer of shares from 22 June 2016 to 24 June 2016, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4:30 p.m., 21 June 2016.

(2) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(3) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.

(4) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(5) The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.