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## **CAPITAL ENVIRONMENT HOLDINGS LIMITED**

### **首創環境控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3989)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

The Board of Directors (the “Board”) of Capital Environment Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2017*

	<i>Notes</i>	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>3,495,166</b>	2,707,882
Cost of sales		<u>(2,487,959)</u>	<u>(1,912,556)</u>
<b>Gross profit</b>		<u><b>1,007,207</b></u>	<u>795,326</u>
Other income and gains	4	<b>17,991</b>	26,518
Administrative expenses		<b>(537,274)</b>	(485,665)
Other expenses		<b>(6,405)</b>	(16,774)
Finance costs	6	<b>(195,942)</b>	(182,263)
Share of profits of joint ventures		<b>56,142</b>	64,685
Share of profits/(losses) of associates		<u><b>6,255</b></u>	<u>(13,018)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>347,974</b>	188,809
Income tax expense	7	<u><b>(74,255)</b></u>	<u>(55,148)</u>
<b>PROFIT FOR THE YEAR</b>		<u><u><b>273,719</b></u></u>	<u><u>133,661</u></u>

	<i>Notes</i>	<b>2017</b> <b><i>RMB'000</i></b>	2016 <i>RMB'000</i>
Attributable to:			
Owners of the parent		<b>148,342</b>	43,848
Non-controlling interests		<u><b>125,377</b></u>	<u>89,813</u>
		<u><b>273,719</b></u>	<u>133,661</u>

**EARNINGS PER SHARE ATTRIBUTABLE  
TO ORDINARY EQUITY HOLDERS OF  
THE PARENT**

Basic	<i>9</i>	<u><b>RMB1.04 cents</b></u>	<u>RMB0.31 cent</u>
Diluted	<i>9</i>	<u><b>RMB1.04 cents</b></u>	<u>RMB0.31 cent</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>273,719</u></b>	<b><u>133,661</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	14,896	(23,649)
Reclassification adjustment for cumulative loss upon disposal	—	(117)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	3,300	41
Exchange differences related to foreign operations	<u>(123,195)</u>	<u>182,836</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>(104,999)</u></b>	<b><u>159,111</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>168,720</u></b>	<b><u>292,772</u></b>
Attributable to:		
Owners of the parent	102,092	113,349
Non-controlling interests	<u>66,628</u>	<u>179,423</u>
	<b><u>168,720</u></b>	<b><u>292,772</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2017*

		31 December		1 January
		2017	2016	2016
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			Restated	Restated
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		1,790,082	1,734,321	1,303,279
Prepaid land lease payments		49,627	74,563	73,440
Goodwill		2,044,408	2,166,182	1,947,701
Other intangible assets		1,906,175	1,635,612	1,692,462
Investments in joint ventures		462,344	472,958	420,139
Investments in associates		91,532	85,277	95,844
Available-for-sale investments	10	95,041	80,131	86,487
Deferred tax assets		10,568	11,550	9,616
Concession financial assets	11	1,864,989	1,492,503	968,031
Prepayments, deposits and other receivables		132,028	106,054	112,240
Amounts due from associates		—	8,600	—
Time deposits		12,500	10,000	—
 Total non-current assets		8,459,294	7,877,751	6,709,239
 <b>CURRENT ASSETS</b>				
Inventories		39,911	29,817	35,962
Concession financial assets	11	178,988	63,507	44,198
Assets classified as held for sale		9,541	10,985	264,500
Trade receivables	12	777,632	644,401	524,002
Prepayments, deposits and other receivables		265,238	133,421	77,204
Prepaid land lease payments		948	1,882	1,673
Amounts due from associates		47,741	39,141	35,966
Tax recoverable		6,354	2,523	14,409
Pledged deposits		4,000	9,000	—
Derivate financial instruments		—	—	107
Time deposits		—	5,000	—
Cash and cash equivalents		892,790	755,954	1,436,038
 Total current assets		2,223,143	1,695,631	2,434,059

		<b>31 December</b>		1 January
		<b>2017</b>	2016	2016
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<i>RMB'000</i>
			Restated	Restated
<b>CURRENT LIABILITIES</b>				
Trade payables	<i>13</i>	<b>405,155</b>	236,827	158,573
Other payables and accruals		<b>389,493</b>	456,287	428,982
Deferred income		<b>394</b>	1,400	1,400
Derivative financial instruments		<b>1,727</b>	137	—
Interest-bearing bank and other borrowings	<i>14</i>	<b>3,145,327</b>	458,322	384,410
Amounts due to the immediate shareholders		—	149,776	137,769
Amount due to a related party		<b>1,376</b>	—	—
Tax payable		<b>47,983</b>	44,278	44,197
Liabilities associated with assets classified as held for sale		—	—	111,424
Provisions		—	800	800
Total current liabilities		<b><u>3,991,455</u></b>	<u>1,347,827</u>	<u>1,267,555</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b><u>(1,768,312)</u></b>	<u>347,804</u>	<u>1,166,504</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>6,690,982</u></b>	<u>8,225,555</u>	<u>7,875,743</u>

		<b>31 December</b>		1 January
		<b>2017</b>	2016	2016
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<i>RMB'000</i>
			Restated	Restated
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>6,690,982</u></b>	<u>8,225,555</u>	<u>7,875,743</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred income		<b>34,153</b>	40,870	38,200
Interest-bearing bank and other borrowings	<i>14</i>	<b>1,553,374</b>	3,257,333	2,934,949
Derivative financial instruments		—	200	—
Deferred tax liabilities		<b>434,266</b>	447,884	427,421
Provisions		<b><u>204,114</u></b>	<u>187,283</u>	<u>110,668</u>
Total non-current liabilities		<b><u>2,225,907</u></b>	<u>3,933,570</u>	<u>3,511,238</u>
<b>Net assets</b>		<b><u><u>4,465,075</u></u></b>	<u><u>4,291,985</u></u>	<u><u>4,364,505</u></u>
<b>EQUITY</b>				
Equity attributable to owners of the parent				
Issued capital		<b>1,188,219</b>	1,188,219	797,340
Reserves		<b><u>2,025,290</u></b>	<u>1,913,658</u>	<u>2,403,164</u>
		<b>3,213,509</b>	3,101,877	3,200,504
Non-controlling interests		<b><u>1,251,566</u></b>	<u>1,190,108</u>	<u>1,164,001</u>
<b>Total equity</b>		<b><u><u>4,465,075</u></u></b>	<u><u>4,291,985</u></u>	<u><u>4,364,505</u></u>

*Note:*

## **1. CORPORATE AND GROUP INFORMATION**

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

The principal activity of the Company and its subsidiaries (the “Group”) is waste treatment and waste-to-energy business.

### **2.1 BASIS OF PREPARATION**

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

As at 31 December 2017, the Group’s current liabilities exceeded its current assets by approximately RMB1,768.31 million. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future as the immediate shareholders, BCG Chinastar International Investment Limited (“BCG Chinastar”) and Beijing Capital (Hong Kong) Limited (“Beijing Capital (HK)”) have agreed to provide adequate financial support to the Group. Accordingly, the consolidated financial statements for the year ended 31 December 2017 have been prepared on the basis of going concern.

#### **Determination of the expected manner of recovery of indefinite life intangible assets when measuring deferred tax**

The IFRS Interpretations Committee (“IFRIC”) issued an agenda decision which observed that the reason for not amortising an indefinite life intangible asset is not because there is no consumption of the future economic benefits embodied in the asset. Therefore, the determination of tax consequences of indefinite life intangible assets shall reflect the expected manner of recovery of the carrying amount of the assets either through use or through sale. Based on the IFRIC agenda decision, the Group reassessed and determined that the carrying amount of the indefinite life intangible assets is to be recovered through use. The change in accounting policy has been applied retrospectively. Consequently, the goodwill and deferred tax liability balances of the Group as at 1 January 2016 and 31 December 2016 were restated by an increase of RMB230,039,000 and RMB252,606,000, respectively.

## Measurement period adjustments for an incomplete initial accounting for a business combination in 2016

On 30 November 2016, Waste Management NZ Limited (“Waste Management NZ”), a wholly-owned subsidiary of BCG NZ Investment Holding Limited (“BCG NZ”) acquired the business operation of Tirohia Landfill & Hamilton Organics (“Tirohia & Hamilton”) at a consideration of approximately New Zealand dollars (“NZ\$”) 16.0 million (equivalent to approximately RMB78,120,000). Tirohia & Hamilton is engaged in landfill operation in New Zealand. The acquisition of Tirohia & Hamilton was close to the year end and the purchase price allocation was still in progress as at 31 December 2016. During the measurement period in the current year, Waste Management NZ completed the purchase price allocation and retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and would have affected the measurement of the amounts recognised as of that date. Waste Management NZ also recognised additional assets and liabilities according to new information obtained about facts and circumstances that existed as of the acquisition date and would have resulted in the recognition of those assets and liabilities as of that date. The provisional fair value of identified assets and liabilities, measurement period adjustments and retrospectively adjusted fair value on acquisition for the business combination of Tirohia & Hamilton are as follows:

	<b>Provisional fair value recognised on acquisition RMB’000</b>	<b>Measurement period adjustments RMB’000</b>	<b>Retrospectively adjusted fair value on acquisition RMB’000</b>
Property, plant and equipment	24,098	47,716	71,814
Other intangible assets	—	20,653	20,653
Inventories	—	385	385
Other payables and accruals	—	(3,509)	(3,509)
Deferred tax liabilities	—	(5,783)	(5,783)
Provisions	—	(46,169)	(46,169)
Total identifiable net assets at fair value	<u>24,098</u>	<u>13,293</u>	<u>37,391</u>
Goodwill on acquisition	<u>54,022</u>	<u>(13,293)</u>	<u>40,729</u>
Satisfied by cash	<u><u>78,120</u></u>	<u><u>—</u></u>	<u><u>78,120</u></u>

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 Included in <i>Annual Improvements to HKFRSs 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>



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

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no significant impact on the financial position or performance of the Group.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as none of the Group's subsidiaries were classified as disposal groups held for sale as at 31 December 2017.

### 2.3 NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>1</sup></i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts<sup>1</sup></i>
HKFRS 9	<i>Financial Instruments<sup>1</sup></i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation<sup>2</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers<sup>1</sup></i>
HKFRS 16	<i>Leases<sup>2</sup></i>
Amendments to HKAS 40	<i>Transfers of Investment Property<sup>1</sup></i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration<sup>1</sup></i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments<sup>2</sup></i>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28<sup>1</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to HKAS 28	<i>Long-term interests in Associates and Joint Ventures<sup>2</sup></i>
<i>Annual Improvements 2015–2017 Cycle</i>	<i>Annual Improvements to HKFRSs 2015–2017 Cycle<sup>2</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018  
<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019  
<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021  
<sup>4</sup> No mandatory effective date yet determined but available for adoption

### 3. OPERATING SEGMENT INFORMATION

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

The Group has two reportable segments, being (a) waste treatment and waste-to-energy business in the People's Republic of China ("PRC") and (b) waste treatment and waste-to-energy business in New Zealand.

#### Year ended 31 December 2017

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

Year ended 31 December 2016

	Waste treatment and waste-to-energy business in the PRC <i>RMB'000</i>	Waste treatment and waste-to-energy business in New Zealand <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Revenue from external customers	606,712	2,101,170	2,707,882
Revenue from operations			<u>2,707,882</u>
Segment results	(83,661)	217,322	133,661
Other segment information:			
Share of profits of joint ventures	—	64,685	64,685
Share of losses of associates	(13,018)	—	(13,018)
Impairment losses recognised in the statement of profit or loss	16,772	1,771	18,543
Depreciation and amortisation	37,360	230,466	267,826
Investments in joint ventures	—	472,958	472,958
Investments in associates	85,277	—	85,277
Capital expenditure ( <i>Note</i> )	127,031	307,791	434,822
31 December 2016			
Segment assets	3,535,849	6,037,533	9,573,382
Segment liabilities	1,223,947	4,057,450	5,281,397

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

#### **Information about a major customer**

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

#### 4. REVENUE, OTHER INCOME AND GAINS

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

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Revenue</b>		
Construction services under service concession arrangements	753,254	196,484
Operation services under service concession arrangements	90,758	52,580
Effective interest income on concession financial assets	85,115	70,592
Electronic appliance dismantling services	222,808	281,388
Waste collection services	1,513,694	1,354,932
Waste landfill services	437,116	390,189
Recycling	113,115	122,097
Technical services	245,986	227,418
Others	<u>33,320</u>	<u>12,202</u>
	<u><u>3,495,166</u></u>	<u><u>2,707,882</u></u>
<b>Other income and gains</b>		
Bank interest income	3,399	13,837
Other interest income	9,935	2,532
Dividend income from available-for-sale investments	1,111	563
Gain on disposal of items of property, plant and equipment	908	—
Gain on disposal of a subsidiary	—	5,012
Government grants	1,876	—
Reversal of impairment loss recognised in respect of an amount due from an investee	—	1,869
Foreign exchange gains	—	1,213
Others	<u>762</u>	<u>1,492</u>
	<u><u>17,991</u></u>	<u><u>26,518</u></u>

## 5. PROFIT BEFORE TAX

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Cost of services rendered for service concession arrangements	741,056	229,915
Cost of services provided	1,746,903	1,682,641
Depreciation	218,663	201,965
Amortisation		
— Prepaid land lease payments	4,292	2,195
— Intangible assets	56,265	63,666
Minimum lease payments under operating leases	83,737	65,965
Auditor's remuneration	5,260	5,797
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	259,366	232,168
Pension scheme contributions	22,762	20,901
Foreign exchange differences, net	1,186	(1,213)
Impairment of prepayments, deposits and other receivables	2,420	5,200
Impairment of trade receivables	2,630	1,771
Impairment of goodwill	—	11,572
(Gain)/loss on disposal of items of property, plant and equipment	<u>(908)</u>	<u>623</u>

## 6. FINANCE COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on bank and other loans	189,605	177,872
Other finance costs:		
— Increase in discounted amounts of provisions arising from the passage of time	5,712	3,491
Others	<u>625</u>	<u>900</u>
	<u>195,942</u>	<u>182,263</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Withholding Hong Kong profits tax is calculated at 10% (2016: 10%) on the interest income recognised by a subsidiary in Hong Kong from a subsidiary in New Zealand.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries is 25% for both years. Ten (2016: Three) of the Group's subsidiaries operating in the PRC are eligible for certain tax benefits. Eight (2016: Two) are exempted from PRC income taxes whereas another two (2016: one) are entitled to preferential tax of 7.5% (2016: 7.5%) and 10%, respectively for the year.

New Zealand profits tax has been provided at the rate of 28% (2016: 28%) on the estimated assessable profits arising in New Zealand during the year.

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

According to PRC tax regulations, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. At 31 December 2017, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2016: Nil). In the opinion of the directors, it is not probable that the Group's PRC subsidiaries will distribute profits in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately RMB170,416,000 (2016: RMB110,624,000).

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current — Hong Kong		
Charge for the year	30,064	31,811
Current — the PRC		
Charge for the year	2,511	112
Underprovision in prior years	872	—
Current — New Zealand		
Charge for the year	33,909	48,965
Overprovision in prior years	(3,461)	(443)
Deferred	<u>10,360</u>	<u>(25,297)</u>
Total tax charge for the year	<u><u>74,255</u></u>	<u><u>55,148</u></u>

## 8. DIVIDENDS

Except for dividend declared by BCG NZ to Beijing Capital (HK) and BCG Chinastar as disclosed below, no dividend was paid or proposed by the Company during 2017, nor has any dividend been proposed by the Company since the end of the reporting period (2016: nil).

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Dividend declared by BCG NZ		
Final 2016 (2016: final 2015)	—	266,509
Interim 2017 (2016: interim 2016)	<u>—</u>	<u>149,129</u>
	<u>—</u>	<u>415,638</u>

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (2016: 14,294,733,167) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

The calculations of basic earnings per share are based on:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>148,342</u>	<u>43,848</u>
	<b>Number of shares</b>	
	2017	2016
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	<u>14,294,733,167</u>	<u>14,294,733,167</u>

## 10. AVAILABLE-FOR-SALE INVESTMENTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Listed securities, at fair value		
— equity securities listed in HK		
Unlisted equity investments, at cost	78,808	63,898
— 北京市一清百瑪士綠色能源有限公司 (Beijing Yiqing Biomax Green Energy Park Company Limited*, “Beijing Yiqing”) (Note)	<u>16,233</u>	<u>16,233</u>
	<u><u>95,041</u></u>	<u><u>80,131</u></u>

*Note:* The investment in Beijing Yiqing is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

During the year, the gross gain in respect of the Group’s available-for-sale investments recognised in other comprehensive income amounted to RMB14,896,000 (2016: loss of RMB23,649,000), of which nil (2016: loss of RMB117,000) was reclassified from other comprehensive income to the statement of profit or loss for the year.

The investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

## 11. CONCESSION FINANCIAL ASSETS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> Restated
Analysed for reporting purposes as:		
Current assets	178,988	63,507
Non-current assets	<u>1,864,989</u>	<u>1,492,503</u>
	<u><u>2,043,977</u></u>	<u><u>1,556,010</u></u>

Concession financial assets represent costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC on a Build-Operate-Transfer (“BOT”) basis, plus the attributable profits on the services provided. Revenues and costs relating to the construction phase of the contracts are accounted for in accordance with HKAS 11 *Construction Contracts*. Revenues and costs relating to the operating phase of the contracts are accounted for in accordance with HKAS 18 *Revenue*.



Service concession arrangements with certain government authorities in the PRC (“Grantors”) require the Group to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The effective interest rate ranged from 5.50% to 6.56% for the year ended 31 December 2017.

During the operation phase of the respective service concession periods, the Group will receive guaranteed waste treatment fees from the Grantors. In addition, for some service concession arrangements, the Group has the right to charge on-grid electricity tariffs to users after commencement of operation phase of the waste-to-energy plants.

The Group recognised revenue from construction services of RMB753,254,000 (2016: RMB196,484,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB90,758,000 (2016: RMB52,580,000) for all the service concession arrangements of the Group (see note 4). The gross profits recognised from construction services were amounted to RMB79,876,000 (2016: RMB15,387,000) and the gross profits recognised from operation services were amounted to RMB45,633,000 (2016: RMB8,860,000) for all the service concession arrangements of the Group.

As at 31 December 2017, the major terms of the Group’s significant service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Electricity generation	Status	Balance as at 31 December	
								2017	2016
								RMB'000	RMB'000
									Restated
南昌首創環保能源有限公司 (“Nanchang Capital Environment Energy Co., Ltd.”)	南昌市垃圾焚燒發電廠 (Nanchang Solid Waste Incineration Power Generation Plant*)	Quanling, Nanchang	南昌市市環境管理局 (Nanchang City Environment Administration*)	October 2016 to September 2041 (25 years)	1,200 tonnes	131 mil kWh	Operating	555,699	609,836
惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*)	惠州市生活垃圾焚燒發電廠 (Huizhou Municipal Solid Waste Incineration Power Generation Plant*)	Luzhouzhen, Huicheng, Huizhou	惠州市市容環境衛生管理局 (Huizhou Environmental and Hygiene Control Authority*)	(Note a)	1,600 tonnes	161 mil kWh	Under construction (Note a)	508,166	439,184
都勻市首創環保有限公司 (Duyun Capital Environment Company Limited*)	都勻市生活垃圾焚燒發電廠 (Duyun Solid Waste Incineration Power Generation Plant*)	Duyun, Guizhou	都勻市人民政府 (Duyun People’s Government*)	30 years after obtaining the approval for commercial operation	900 tonnes	64 mil kWh	Under construction	259,256	74,376
南陽首創環境科技有限公司 (Nanyang Capital Environment Technology Company Limited*)	浙川、西峽、內鄉三縣鄉鎮垃圾收集、轉運、處理項目 (Xichuan, Xixia, Neixiang Garbage Collection, Transport and Processing Project*)	Nanyang, Henan	南陽市住房和城鄉建設委員會 (Nanyang Housing and Urban-Rural Construction Commission*)	30 years after obtaining the approval for commercial operation	724 tonnes	N/A	Operating	233,778	123,382
都勻市科林環保有限公司 (Duyun Kelin Environment Company Limited*)	都勻市生活垃圾填埋場 (Duyun Municipal Solid Waste Landfill Site*)	Duyun, Guizhou	都勻市人民政府 (Duyun People’s Government*)	June 2012 to June 2042 (30 years)	300 tonnes	N/A	Operating	132,072	131,084

\* for identification purpose only

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Electricity generation	Status	Balance as at	
								31 December 2017	2016 Restated
								RMB'000	RMB'000
高安意高再生資源熱力發電有限公司 (Gaoan Eacon Renewable Resources for Thermal Power Generation Co., Limited*)	高安市垃圾焚燒發電廠 (Gaoan Solid Waste Incineration Power Generation Plant*)	Gaoan, Jiangxi	高安市人民政府 (Gaoan People's Government*)	30 years after obtaining the approval for commercial operation	900 tonnes	64 mil kWh	Under construction	80,745	42,139
葫蘆島康達錦程環境治理有限公司 (Huludao Kangte Jincheng Environment Management Company Limited*)	葫蘆島市生活垃圾填埋場 (Huludao Municipal Solid Waste Landfill Site*)	Huludao, Liaoning	葫蘆島市住房和城鄉建設委員會 (Huludao Housing and Urban-Rural Construction Commission*)	20 years after obtaining the approval for commercial operation	420 tonnes	N/A	Operating	67,408	53,796
蕪安縣科林環保有限公司 (Weng'an Kelin Environment Company Limited*)	蕪安縣生活垃圾填埋場 (Weng'an Municipal Solid Waste Landfill Site*)	Weng'an, Guizhou	蕪安縣人民政府 (Weng'an People's Government*)	July 2015 to June 2045 (30 years)	150 tonnes	N/A	Operating	57,401	55,134
寧波首創廚餘垃圾處理有限公司 (Ningbo Capital Environment Kitchen Waste Treatment Company Limited*)	寧波市世行貸款廚餘垃圾處理廠 (Ningbo World Bank Loan Kitchen Waste Treatment Plant*)	Ningbo, Zhejiang	寧波市城市管理局 (Ningbo City Administration*)	20 years after obtaining the approval for commercial operation	800 tonnes	N/A	Under construction	52,207	—
Others (Note b)								97,245	27,079
								<u>2,043,977</u>	<u>1,556,010</u>

*Note:*

- (a) Under the BOT agreement signed on 3 August 2001, the existing plant has a service concession period of 27 years. A new BOT agreement in respect of the construction and operation of a new waste treatment plant has been signed on 20 August 2013, superseding the agreement signed on previously. Pursuant to the new BOT agreement, the existing waste treatment plant will continue to operate not more than three years from the signing of the new cooperation agreement, by then it will be demolished and replaced by the new treatment plant for a term of 30 years. Due to the delay in site selection to construct the new treatment plant, the existing waste treatment plant deferred the operation until March of 2017. At the same time, the new waste treatment plant has completed site selection and started construction.
- (b) Others represent waste collection, transfer projects, incineration projects and kitchen waste concentration projects without significant concession financial assets.

\* for identification purpose only

## 12. TRADE RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables	781,654	652,630
Impairment	<u>(4,022)</u>	<u>(8,229)</u>
	<u><b>777,632</b></u>	<u><b>644,401</b></u>

Trade receivables, which are non-interest-bearing, are recognised and carried at the original invoiced amount less any impairment loss. An estimate for doubtful debts is made when there is objective evidence that an impairment loss on receivables has been incurred. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
0 to 90 days	348,463	338,449
91 to 180 days	20,718	52,602
Over 180 days	<u>408,451</u>	<u>253,350</u>
	<u><b>777,632</b></u>	<u><b>644,401</b></u>

The movements in provision for impairment of trade receivables are as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
At beginning of year	8,229	8,123
Impairment losses recognised ( <i>note 5</i> )	2,630	1,771
Amount written off as uncollectible	(6,734)	(1,893)
Exchange realignment	<u>(103)</u>	<u>228</u>
	<u><b>4,022</b></u>	<u><b>8,229</b></u>

As at 31 December 2017, included in the Group's trade receivable balances were government dismantling tariffs provided by the PRC government for treatment of certain waste electric and electronic products with an aggregate carrying amount of approximately RMB449,733,000 (2016:RMB333,064,000). Included in the government dismantling tariffs are balances amounting to RMB408,080,000 (2016: RMB243,589,000) with ageing over 180 days. In the opinion of the directors of the Company, the credit risk on these balances is limited because the customers are government authorities.

Included in the provision for impairment is a provision of RMB2,036,000 (2016: RMB6,686,000) for individually impaired trade receivable with a carrying amount before provision of RMB2,395,000 (2016: RMB7,045,000). The impairment is considered irrecoverable by management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after period end, the ongoing relationship with the Group and the ageing of these receivables.

### 13. TRADE PAYABLES

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
0 to 90 days	311,541	218,088
91 to 180 days	43,810	4,440
Over 180 days	49,804	14,299
	<u>405,155</u>	<u>236,827</u>

Included in the trade payables are amounts of RMB126,000 (2016: RMB7,730,000) and RMB1,975,000 (2016: RMB2,388,000) due to joint ventures and the other operator of Waste Disposal Services, respectively, with similar credit terms offered by them to their major customers.

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

### 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	<i>RMB'000</i>	Effective interest rate (%)	Maturity	<i>RMB'000</i>
<b>Current</b>						
Bank loans — unsecured	3.44–5.00	2018	202,344	3.84–4.22	2017	303,202
Bank loans — secured	4.79–5.66	2018	200,000	4.35	2017	97,000
Bank loans — current portion						
of long term bank loans — unsecured	4.66	2018	24,000	—	—	—
Bank loans — current portion						
of long term bank loans — secured	4.66–5.23	2018	87,580	4.66–4.90	2017	58,120
Other loan — unsecured	5.00	2018	2,631,403	—	—	—
			<u>3,145,327</u>			<u>458,322</u>
<b>Non-current</b>						
Bank loans — unsecured	2.09–4.66	2021–2036	684,359	—	—	—
Bank loans — secured	4.66–5.23	2019–2032	580,280	4.66–4.90	2021–2026	423,660
Other loans — unsecured	1.20	2031	52,000	1.20–5.00	2018–2031	2,833,673
Other loan — secured	4.75	2020	236,735	—	—	—
			<u>1,553,374</u>			<u>3,257,333</u>
			<u>4,698,701</u>			<u>3,715,655</u>

	<b>2017</b>	2016
	<b>RMB'000</b>	<b>RMB'000</b>
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	<b>513,924</b>	458,322
In the second year	<b>919,710</b>	86,580
In the third to fifth years, inclusive	<b>223,378</b>	283,080
Beyond five years	<b>121,551</b>	54,000
	<u><b>1,778,563</b></u>	<u>881,982</u>
Other borrowings repayable:		
Within one year	<b>2,631,403</b>	—
In the second year	<b>236,735</b>	2,781,673
In the third to fifth years, inclusive	—	—
Beyond five years	<b>52,000</b>	52,000
	<u><b>2,920,138</b></u>	<u>2,833,673</u>

*Notes:*

- (1) Bank loans of RMB50,000,000 as at 31 December 2017 (2016: RMB47,000,000) were secured by the prepaid lease payments and buildings with a carrying amount of RMB82,470,000 (2016: RMB56,383,000).
- (2) Bank loan of RMB80,000,000 as at 31 December 2017 (2016: RMB80,000,000) was secured by the service concession arrangement in 揚州首創環保能源有限公司 (Yangzhou Capital Environmental Energy Investment Limited\*).
- (3) Bank loans of RMB708,200,000 as at 31 December 2017 (2016: RMB315,000,000) were guaranteed by the corporate guarantee of the Group.
- (4) Bank loan of RMB29,660,000 as at 31 December 2017 (2016: RMB36,780,000) was guaranteed by the corporate guarantee of a subsidiary of Beijing Capital Group Co., Ltd. (“Beijing Capital Group”).
- (5) Other loan of RMB236,735,000 (2016: Nil) was secured by the service concession arrangement in 南昌首創環保能源有限公司 (Nanchang Capital Environment Energy Co., Ltd\*).
- (6) Bank loan of RMB100,000,000 was secured by the service concession arrangement and the Group’s equity interest in 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited\*) as at 31 December 2016. The pledge contract was cancelled for the year ended 31 December 2017. Bank loan of RMB79,000,000 was unsecured as at 31 December 2017.

\* *for identification purpose only*

Included in bank borrowings is a loan of HKD700,000,000 from Bank of China (Hong Kong) Limited with interest bearing at 1.35% per annum over Hong Kong Interbank Offer Rate, and with keepwell provided by Beijing Capital Group.

Included in other borrowings is a loan of NZ\$570,000,000 from BCG Chinastar which was unsecured, interest bearing at 5% per annum and had a maturity date of 1 June 2018.

As at 31 December 2017, the Group had undrawn borrowing facilities amounting to RMB1,728,807,000 (2016: RMB1,424,003,000) and an amount of RMB1,352,315,000 was expired on 10 March 2018.

As at 31 December 2017, the Group's bank and other loans of RMB2,935,747,000 were charged at fixed interest rates while RMB1,762,954,000 were charged at floating interest rates based on the benchmark interest rates announced by the People's Bank of China. The carrying amounts of the Group's current borrowings approximate to their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Business Review and Prospects*

In 2017, although the uncertainty of the global financial market and global economic development continued to exist, the economies in developed countries including the United States, the European Union, Japan and the United Kingdom have shown signs of recovery. The stock indexes in most of the capital markets have reached record highs. Under the environment of rapid development of the global economy, as an important engine of the global economy, China has been actively transforming its economic structures while continuing to maintain stable economic growth to response to the situation. The development of green economy and environmental protection industry has become the new momentum of economic growth in the PRC, and that are also an important economy pillar for China's future economic reforms and sustainable development.

In 2017, the central government fully implemented a series of plans successively introduced by relevant departments, including the 13th Five-year Plan on Ecological Environmental Protection, the 13th Five-year Plan on Renewable Energy Development, the 13th Five-year Plan on the Construction of Facilities for the Innocuous Treatment of Municipal Solid Waste, the 13th Five-year Plan on the Development of National Strategic Emerging Industries and the National Framework of the 13th Five-year Scientific and Technological Development Plan for Environmental Protection, which have brought unprecedented development opportunities for the green economy and environmental protection industries. We believe that the stepping up of policy support and capital investments in environmental governance by the government, coupled with the increasing demand for environmental protection and alternative energy across the country, will provide the Group with enormous market opportunities and development potentials, achieving a win-win development in economy, environment and society.

In view of the broad prospects and great potential in the environmental protection industry, driven by talents, technologies and favorable national policies, the Group will continue to leverage its comprehensive strength and explore new opportunities for business development by diversified means such as BOT, TOT, BOO, as well as merger and acquisition. Benefiting from the support of national policies, the strong backing from its parent company Beijing Capital Group and the comprehensive capability and resources of the Group, the management are confident of the future development of the Group.

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

For market expansion, the Group successfully obtained 20 waste treatment projects in China, which required a total investment of approximately RMB3,950 million, and had the newly-increased annual solid waste treatment capacity of 4.64 million tons. The new projects include the hazardous waste integrated treatment center project in Linzi District, Shandong Province, the urban and rural waste collection and transfer project in Duyun City, Guizhou Province, the urban and rural integrated and comprehensive waste treatment project in Shicheng County, Jiangxi Province, the integrated project of solid waste incineration power generation and rural solid waste collection and transportation in Suichuan County, Jiangxi Province, the integrated project of solid waste incineration power generation and rural solid waste collection and transportation in Suixian, Henan Province, the venous industrial park project in Lushan County, Henan Province and the integrated project of town and rural solid waste collection and transportation in Lushan County, the integrated urban and rural environmental health project in Suiping County, Henan Province, the solid waste incineration power generation project and rural solid waste collection and transportation project in Qi County, Henan Province and the biomass straw incineration power generation project in Qi County, Henan Province, the solid waste incineration power generation project and rural and town solid waste collection and transportation project in Zhengyang County, Henan Province, the second bid section of the road sweeping and cleaning project of Chaoyang District Environmental Sanitation Service Center in Beijing, the PPP project of Chaoyang District Construction Waste Utilization Centre in Beijing and the integrated waste treatment PPP project in Xiaozhangjiakou, Yanqing District, Beijing. The above-mentioned projects enable the Group to continuously remain the growth of incineration business, further establish the outstanding advantages of integrated waste collection and transportation business and successfully enter the construction waste treatment and cleaning business field, so as to extend the Group's environmental industry chain, expand the Group's business scope and continue to solidify and improve the leading position in the industry.

For business expansion, the Group's domestic environmental protection and alternative energy projects processed solid waste of 1.32 million tons in aggregate and generated total on-grid electricity of 205,154,000 kWh. As of 31 December 2017, the Group secured a total of 52 projects (including 17 waste-to-energy projects, 5 waste landfill projects, 6 Anaerobic Digestion Technology treatment projects, 13 waste collection, storage and transportation projects, 5 hazardous waste treatment projects, 2 dismantling waste electronic appliances projects and 4 biomass resources electricity generation projects) in China with a total investment of approximately RMB13.7 billion, and the investment amount amounted to RMB4,060 million as at 31 December 2017. The facilities are designed with an aggregate annual solid waste treatment capacity of approximately 11.50 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units. The above-mentioned projects have gradually entered into the construction and operation period. As of 31 December 2017, there were 30 domestic projects which have entered the construction and operation period, of which the solid waste incineration power plant

\* *for identification purpose only*



project in Quanling, Nanchang, a representative project demonstrating a high level of competence of the Group, has been approved as an environmental demonstration base by the National Development and Reform Commission.

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

With the development of business sectors, in order to meet the demands of local governments and residents, respond to intense market competition and strengthen the efficiency and the synergistic effect, the Group has established investment centers in Henan province, Jiangxi province, Beijing, Tianjin and Hebei province and Hazardous Waste Industrial Department during the past few years, so as to promote intraregional project investment and explore the new investment modes. The Group established a technology platform company this year to accelerate technological innovation, so as to dominate the market and save investing and operating costs through technological advantages, with the aim of enhancing its core competitiveness.

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

The Group is on target for increasing its capability in solid waste treatment by at least 7,000 tons per day in the next year. As of 31 December 2017, the Group is proposing and negotiating with potential cooperation partners in relation to the investments in several waste treatment projects by way of tender or acquisition. The Group’s domestic projects have continuously increased and successively entered into the construction and operation period, which has contributed to the rapid growth of the Group’s results. The development of businesses in New Zealand will enable the Group to achieve a steady growth. Therefore, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

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

## **FINANCIAL REVIEW**

### ***Overview***

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached RMB3,495.2 million, representing an increase of 29% as compared to RMB2,707.9 million in 2016. Profit attributable to owners of the Group in 2017 was RMB148.3 million, representing a substantial increase of more than 238% as compared to RMB43.8 million in 2016. The substantial increase of profit was mainly came from the Group has comprehensively promoted budget management and improved the overall efficiency, while the Group has accelerated the progress of projects and improved the efficiency of projects construction, which boosted a substantial increase in the revenue from construction services. In addition, the actual processing volume of projects that have been put into operation exceeded expectations, resulting in a substantially increase in the operating income.

### ***Financial Position***

As at 31 December 2017, the Group had total assets amounting to approximately RMB10,682.4 million and net assets attributable to the owners of the Company were approximately RMB3,213.5 million. As at 31 December 2017, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 58%, an increase of 3 percentage points from 55% at the end of 2016. The increase was mainly due to the Group increased bank financing by approximately RMB896.6 million during the year under review to response to the increased funding requirements of new projects. The current ratio (which is calculated on the basis of current assets over current liabilities) decreased from approximately 1.26 as at 31 December 2016 to approximately 0.56 as at 31 December 2017. The decrease was mainly attributable to the loan of NZ\$570 million from our shareholder, BCG Chinastar (the "Loan"), will be matured on 1 June 2018, therefore, such Loan has been reclassified from non-current liabilities as at the end of 2016 to current liabilities as at 31 December 2017. Excluding the effect of the reclassification of such Loan, the current ratio of the Group as at 31 December 2017 was still higher than 1.

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

### ***Financial Resources***

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders and banks. As at 31 December 2017, the Group had cash and bank balances and pledged bank deposits of approximately RMB909.3 million, representing an increase of approximately RMB129.3 million as compared to approximately RMB780 million at the end of 2016. The increase was mainly due to the increase in bank financing during the year under review. Currently, most of the Group's cash is denominated in RMB, HK\$ and NZ\$.

### ***Borrowings***

As at 31 December 2017, the Group had outstanding borrowings of approximately RMB4,698.7 million, representing an increase of approximately RMB983 million as compared to approximately RMB3,715.7 million at the end of 2016. The borrowings comprised secured loans of approximately RMB1,104.6 million and unsecured loans of approximately RMB3,594.1 million. The borrowings are denominated in RMB, HK\$ and NZ\$. Approximately 62.5% and 37.5% of the borrowings are at fixed rate and variable rate, respectively.

### ***Foreign Exchange Exposure***

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

### ***Commitment arrangements***

As at 31 December 2017, the Group had commitment of approximately RMB800.3 million and RMB71.1 million in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

### ***Contingent Liabilities***

As at 31 December 2017, the Group provided guarantees of approximately RMB1.9 million in favour of two banks in respect of banking facilities granted to an associate. The Group provided performance guarantees of approximately RMB282.5 million to the government institutions of New Zealand in respect of the continuous operation or the fulfillment of operation standards of the landfill sites.

### ***Employee Information***

As at 31 December 2017, the Group had about 3,241 employees in total, stationed mainly in Mainland China, Hong Kong and New Zealand. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

### **DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2017 (the year ended 31 December 2016: nil).

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") (the "Listing Rules") as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquires of all its directors regarding any noncompliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2017.

### **CORPORATE GOVERNANCE PRACTICES**

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year under review.

### **REVIEW OF ACCOUNTS**

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group.

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

The figures set out in the preliminary announcement of the Group's results for the year ended 31 December 2017 in respect of the Group's consolidated statement of profit or loss and consolidated statement of financial position have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement will be published on both the websites of the Company ([www.cehl.com.hk](http://www.cehl.com.hk)) and of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2017 will be dispatched to shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 22 March 2018

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