CHINA EVERBRIGHT INTERNATIONAL LIMITED
中國光大國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 257)

2015 RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

Fuelling Next Round of Development by Building on Past Success

- Revenue increased by 34% to HK$8,534,531,000 (2014: HK$6,355,120,000)
- EBITDA increased by 34% to HK$3,754,449,000 (2014: HK$2,795,219,000)
- Profit attributable to equity shareholders increased by 22% to HK$2,084,888,000 (2014: HK$1,703,147,000)
- Final dividend of HK12.0 cents per share (2014: HK6.0 cents per share)

2015 ANNUAL RESULTS

The board of directors (the "Board") of China Everbright International Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 with comparative figures for the year ended 31 December 2014 as follows:

Consolidated income statement
For the year ended 31 December 2015

	Note	**2015** **HK$'000**	2014 HK$'000
Revenue	*3*	**8,534,531**	6,355,120
Direct costs and operating expenses		**(4,625,701)**	(3,386,560)
		3,908,830	2,968,560
Other revenue	*4*	**344,605**	219,163
Other income	*5*	**91,431**	32,321
Administrative expenses		**(768,400)**	(539,601)
Profit from operations		**3,576,466**	2,680,443
Finance costs	*6(a)*	**(451,759)**	(380,775)
Share of profit/(loss) of an associate		**140**	(41)
Share of losses of joint ventures		**(6,046)**	(594)
Profit before taxation	*6*	**3,118,801**	2,299,033
Income tax	*7*	**(783,275)**	(533,990)
Profit for the year		**2,335,526**	1,765,043
Attributable to:			
Equity shareholders of the Company		**2,084,888**	1,703,147
Non-controlling interests		**250,638**	61,896
Profit for the year		**2,335,526**	1,765,043
Earnings per share	*9*		
Basic and diluted		**HK46.50 cents**	HK37.99 cents

Consolidated statement of comprehensive income
For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
Profit for the year	**2,335,526**	1,765,043
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences on translation of financial statements of subsidiaries, net of nil tax	**(929,756)**	(361,274)
- Changes in fair value of available-for-sale securities	**22,653**	129,260
- Tax effect relating to changes in fair value of available-for-sale securities	**(4,135)**	(19,113)
- Reclassification adjustment for amounts transferred to profit or loss:		
- Upon disposal of available-for-sale securities	**(92,711)**	(32,557)
- Tax effect relating to the disposal of available-for-sale securities	**13,907**	4,883
	(990,042)	(278,801)
Total comprehensive income for the year	**1,345,484**	1,486,242
Attributable to:		
Equity shareholders of the Company	**1,199,388**	1,450,897
Non-controlling interests	**146,096**	35,345
Total comprehensive income for the year	**1,345,484**	1,486,242

Consolidated statement of financial position
At 31 December 2015

		2015		2014	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties			**166,099**		172,938
Other property, plant and equipment			**2,350,265**		1,510,878
Interest in leasehold land held for own use under operating leases			**151,047**		35,717
			2,667,411		1,719,533
Intangible assets			**3,357,187**		2,571,006
Goodwill			**1,061,891**		834,845
Interest in an associate			**239,306**		254,339
Interest in joint ventures			**209,161**		27,289
Other financial assets			**24,800**		229,012
Other receivables, deposits and prepayments	*10*		**5,696,894**		4,376,789
Gross amounts due from customers for contract work	*11*		**15,822,848**		12,630,020
Finance lease receivables			**19,062**		20,411
Deferred tax assets			**36,483**		49,455
			29,135,043		22,712,699
Current assets					
Inventories		**202,314**		117,450	
Debtors, other receivables, deposits and prepayments	*10*	**3,060,436**		1,973,567	
Gross amounts due from customers for contract work	*11*	**1,546,505**		1,210,723	
Tax recoverable		**4,831**		34,684	
Finance lease receivables		**531**		522	
Pledged bank deposits		**555,277**		231,943	
Deposits with bank		**164,654**		824,110	
Cash and cash equivalents		**5,953,481**		4,094,096	
		11,488,029		8,487,095	
Current liabilities					
Interest-bearing borrowings					
- Secured		**1,947,620**		1,348,783	
- Unsecured		**1,461,935**		1,262,586	
		3,409,555		2,611,369	
Creditors, other payables and accrued expenses	*12*	**2,794,456**		2,302,381	
Current taxation		**119,295**		67,660	
		6,323,306		4,981,410	
Net current assets			**5,164,723**		3,505,685

Consolidated statement of financial position *(continued)*
At 31 December 2015

		2015		2014	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
Total assets less current liabilities			**34,299,766**		26,218,384
Non-current liabilities					
Interest-bearing borrowings					
- Secured		**7,088,502**		4,612,439	
- Unsecured		**5,322,609**		1,912,703	
		12,411,111		6,525,142	
Other payables	*12*	**43,365**		15,850	
Deferred tax liabilities		**2,424,749**		1,834,422	
			14,879,225		8,375,414
NET ASSETS			**19,420,541**		17,842,970
CAPITAL AND RESERVES					
Share capital			**7,405,414**		7,405,414
Reserves			**9,790,740**		8,857,842
Total equity attributable to equity shareholders of the Company			**17,196,154**		16,263,256
Non-controlling interests			**2,224,387**		1,579,714
TOTAL EQUITY			**19,420,541**		17,842,970

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the changes in accounting policies set out in note 2. The financial statements have been reviewed by the Company's audit committee.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*

- *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. Revenue and segment reporting

(a) Revenue

The principal activities of the Group are construction, environmental energy project operation (waste-to-energy power plants, methane-to-energy power plants, sludge treatment and disposal project and food waste treatment project), environmental water project operation (waste-water treatment plants, reusable water treatment plants and waste-water source heat pump projects), greentech project operation (biomass integrated utilisation projects, industrial solid waste and hazardous waste treatment projects, photovoltaic energy projects and wind power projects), environmental technology, construction management, manufacturing and sales of equipment, property investments and investment holding.

Revenue represents the revenue from construction services, revenue from environmental energy projects, environmental water projects and greentech projects operation services, finance income and rental income. The amount of each significant category of revenue recognised during the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
		(restated - see note 3(b))
Revenue from environmental energy project construction services	**3,715,228**	2,810,542
Revenue from environmental water project construction services	**591,890**	112,079
Revenue from greentech project construction services	**608,731**	704,835
Revenue from environmental energy project operation services	**880,281**	762,399
Revenue from environmental water project operation services	**755,365**	627,960
Revenue from greentech project operation services	**549,260**	374,362
Finance income	**1,292,672**	954,513
Gross rentals from investment properties	**6,138**	4,825
Revenue from other construction services	**134,966**	3,605
	8,534,531	6,355,120

3. Revenue and segment reporting *(continued)*

(a) Revenue (continued)

For the year ended 31 December 2015, the Group has transactions with one (2014: one) local government authority in the People's Republic of China ("PRC") which individually exceeded 10% of the Group's revenues. The revenue from this PRC local government authority during the year ended 31 December 2015 amounted to HK$961,001,000 (2014: HK$649,622,000).

The aggregated revenues from environmental energy project construction and operation services, environmental water project construction and operation services, greentech project construction and operation services and finance income derived from local government authorities in the PRC amounted to HK$8,183,491,000 (2014: HK$5,797,030,000) for the year ended 31 December 2015. The revenues are included in "Environmental energy project construction and operation", "Environmental water project construction and operation" and "Greentech project construction and operation" segments as disclosed in note 3(b).

(b) Segment reporting

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Environmental energy project construction and operation: this segment engages in the construction and operation of waste-to-energy power plants, methane-to-energy power plants, sludge treatment and disposal project and food waste treatment project to generate revenue from construction services, revenue from operation services as well as finance income.
- Environmental water project construction and operation: this segment engages in the construction, upgrade and operation of waste-water treatment plants, reusable water treatment plants, surface water treatment plant and waste-water source heat pump projects to generate revenue from construction services, revenue from operation services as well as finance income.
- Greentech project construction and operation: this segment engages in the construction and operation of biomass integrated utilisation projects, industrial solid waste and hazardous waste treatment projects, photovoltaic energy projects and wind power projects to generate revenue from construction services, revenue from operation services as well as finance income.
- Environmental technology and construction management: this segment engages in the conduct of environmental protection technology research projects, the provision of construction management services and manufacturing of environmental protection project equipment to generate revenue from construction services.
- Property investment: this segment engages in the leasing of office premises to generate rental income and to gain from the capital appreciation of the properties' values in the long term.

3. Revenue and segment reporting *(continued)*

(b) ***Segment reporting*** *(continued)*

The Group redefined its business divisions during the current year to align with its organisational structure for the purpose of managing its strategic direction. Accordingly, for the presentation of segment information, industrial solid waste and hazardous waste treatment projects, previously included in "Environmental energy project construction and operation" segment, have been reclassified to "Greentech project construction and operation" segment. The comparative segment information has been reclassified to conform to the current year's presentation.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, goodwill, interest in an associate and joint ventures, deferred tax assets and current assets with the exception of investments in other financial assets, intercompany receivables and other corporate assets. Segment liabilities include current taxation, deferred tax liabilities, creditors, other payables and accrued expenses attributable to the activities of the individual segments and borrowings managed directly by the segments, with the exception of intercompany payables.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of equipment and provision of construction management services, assistance provided by one segment to another, including technical know-how, is not measured.

The measure used for reporting segment profit is "EBITDA" i.e. "earnings before interest, taxes, depreciation and amortisation". To arrive at EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

3. Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities *(continued)*

In addition to receiving segment information concerning EBITDA, management is provided with segment information concerning revenue (including inter-segment sales and revenue from construction management services), interest expense from borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

	Environmental energy project construction and operation		**Environmental water project construction and operation**		**Greentech project construction and operation**		**Environmental technology and construction management**		**Property investment**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000* *(restated)*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* *(restated)*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**5,400,372**	4,201,662	**1,815,150**	1,050,754	**1,177,905**	1,094,274	**134,966**	3,605	**6,138**	4,825	**8,534,531**	6,355,120
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**904,312**	936,373	**-**	-	**904,312**	936,373
Reportable segment revenue	**5,400,372**	4,201,662	**1,815,150**	1,050,754	**1,177,905**	1,094,274	**1,039,278**	939,978	**6,138**	4,825	**9,438,843**	7,291,493
Reportable segment profit (EBITDA)	**2,608,398**	2,033,257	**795,955**	570,800	**457,546**	378,430	**514,870**	616,392	**5,744**	4,299	**4,382,513**	3,603,178
Interest income from bank deposits	**20,385**	12,807	**3,400**	1,770	**5,905**	2,377	**7,078**	3,642	**-**	-	**36,768**	20,596
Interest expense	**190,114**	178,396	**114,890**	72,195	**35,855**	23,637	**25,438**	37,978	**-**	-	**366,297**	312,206
Depreciation and amortisation	**10,195**	8,726	**71,827**	24,238	**72,901**	51,260	**24,668**	27,293	**-**	-	**179,591**	111,517
Additions to other property, plant and equipment, interest in leasehold land held for own use under operating leases, intangible assets and non-current portion of prepayments	**121,013**	14,348	**619,999**	249,034	**1,366,897**	1,138,778	**76,672**	55,261	**-**	-	**2,184,581**	1,457,421
Additions to non-current portion of other receivables and deposits and gross amounts due from customers for contract work	**4,488,836**	3,439,263	**2,639,613**	2,936,560	**251,435**	13,798	**-**	-	**-**	-	**7,379,884**	6,389,621
Reportable segment assets	**18,417,211**	14,230,753	**13,694,024**	9,863,862	**5,006,350**	3,263,283	**1,893,505**	1,207,206	**168,691**	173,140	**39,179,781**	28,738,244
Reportable segment liabilities	**6,170,557**	4,554,243	**6,285,033**	3,074,963	**1,912,449**	963,781	**1,028,264**	1,000,338	**8,441**	8,292	**15,404,744**	9,601,617

3. Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliation of reportable segment revenue, profit, assets and liabilities

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**9,438,843**	7,291,493
Elimination of inter-segment revenue	**(904,312)**	(936,373)
Consolidated revenue	**8,534,531**	6,355,120
Profit		
Reportable segment profit	**4,382,513**	3,603,178
Elimination of inter-segment profit	**(598,935)**	(733,511)
Reportable segment profit derived from the Group's external customers	**3,783,578**	2,869,667
Depreciation and amortisation	**(183,889)**	(115,411)
Finance costs	**(451,759)**	(380,775)
Unallocated head office and corporate income	**103,314**	43,106
Unallocated head office and corporate expenses	**(132,443)**	(117,554)
Consolidated profit before taxation	**3,118,801**	2,299,033

3. Revenue and segment reporting *(continued)*

(b) ***Segment reporting*** *(continued)*

(ii) Reconciliation of reportable segment revenue, profit, assets and liabilities *(continued)*

	2015	2014
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**39,179,781**	28,738,244
Non-current other financial assets	**24,800**	229,012
Unallocated head office and corporate assets	**1,418,491**	2,232,538
Consolidated total assets	**40,623,072**	31,199,794
Liabilities		
Reportable segment liabilities	**15,404,744**	9,601,617
Unallocated head office and corporate liabilities	**5,797,787**	3,755,207
Consolidated total liabilities	**21,202,531**	13,356,824

3. **Revenue and segment reporting** *(continued)*

(b) Segment reporting *(continued)*

(iii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers, (ii) the Group's investment properties, other property, plant and equipment, interest in leasehold land held for own use under operating leases and intangible assets and (iii) the Group's non-current portion of other receivables, deposits and prepayments and non-current portion of gross amounts due from customers for contract work. The geographical location of customers is based on the location at which the services were provided. The geographical location of the assets is based on the physical location of the asset, in the case of investment properties, other property, plant and equipment and interest in leasehold land held for own use under operating leases, and the location of the operation to which they are allocated, in the case of other receivables, deposits and prepayments, intangible assets and gross amounts due from customers for contract work.

	Revenue from external customers		*Investment properties, other property, plant and equipment, interest in leasehold land held for own use under operating leases and intangible assets*		*Non-current portion of other receivables, deposits and prepayments and gross amounts due from customers for contract work*	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**-**	-	**52,948**	56,188	**-**	-
Other parts of the PRC	**8,528,029**	6,347,674	**5,922,712**	4,176,137	**21,519,742**	17,006,809
Germany	**6,502**	7,446	**48,938**	58,214	**-**	-
	8,534,531	6,355,120	**6,024,598**	4,290,539	**21,519,742**	17,006,809

4. Other revenue

	2015	2014
	HK$'000	*HK$'000*
Interest income	**51,977**	62,437
Dividend income	**3,319**	10,477
Government grant*	**49,314**	13,692
Value-added tax refund**	**206,141**	100,224
Others	**33,854**	32,333
	344,605	219,163

* Government grant of HK$49,314,000 (2014: HK$13,692,000) was granted during the year ended 31 December 2015 to subsidise certain environmental energy, environmental water and greentech projects of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grant in the future.

** The Group was entitled to value-added tax refund of HK$206,141,000 (2014: HK$100,224,000) during the year ended 31 December 2015 in relation to certain environmental energy, environmental water and greentech project operations of the Group in the PRC. There were no unfulfilled conditions and other contingencies attached to the receipts of such tax refund. There is no assurance that the Group will continue to receive such tax refund in the future.

5. Other income

	2015	2014
	HK$'000	*HK$'000*
Gain on sale of listed securities	**92,711**	32,557
Net loss on sale of other property, plant and equipment	**(1,280)**	(236)
	91,431	32,321

6. **Profit before taxation**

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings	**457,818**	380,775
Less: interest expense capitalised into construction in progress*	**(6,059)**	-
	451,759	380,775

* The borrowing costs have been capitalised at a rate of 5.00% - 5.48% per annum during the year ended 31 December 2015.

(b) Staff costs

	2015	2014
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plan	**69,294**	54,859
Salaries, wages and other benefits	**678,908**	484,106
	748,202	538,965

(c) Other items

	2015	2014
	HK$'000	*HK$'000*
Amortisation		
- interest in leasehold land held for own use under operating leases	**1,204**	1,256
- intangible assets	**92,138**	34,674
Depreciation	**90,547**	79,481
Net foreign exchange loss	**58,945**	46,133
Auditors' remuneration		
- audit services	**7,827**	7,716
- other services	**2,682**	5,602
Operating lease charges: minimum lease payments		
- hire of premises	**11,740**	10,568
Research and development costs	**28,719**	19,997
Rentals receivable from investment properties		
less direct outgoings of HK$348,000 (2014: Nil)	**(5,790)**	(4,825)

7. Income tax

	2015	2014
	HK$'000	*HK$'000*
Current tax - Hong Kong Profits Tax		
Provision for the year	**-**	-
Current tax - PRC Income Tax		
Provision for the year	**270,916**	210,399
Under/(Over)-provision in respect of prior years	**2,221**	(27,136)
	273,137	183,263
Deferred tax		
Origination and reversal of temporary differences	**510,138**	350,727
	783,275	533,990

No provision for Hong Kong Profits Tax has been made in the financial statements for the years ended 31 December 2015 and 2014 as the Group's operations in Hong Kong had no assessable income for Hong Kong Profits Tax purpose.

Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the year, certain PRC subsidiaries are subject to tax at 50% of the standard tax rates or fully exempt from income tax under the relevant tax rules and regulations.

8. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2015	2014
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK6.5 cents per ordinary share (2014: HK5.0 cents per ordinary share)	**291,441**	224,186
Final dividend proposed after the end of the reporting period of HK12.0 cents per ordinary share (2014: HK6.0 cents per ordinary share)	**538,045**	269,023
	829,486	493,209

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2015	2014
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6.0 cents per ordinary share (2014: HK5.0 cents per ordinary share)	**269,023**	224,186

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$2,084,888,000 (2014: HK$1,703,147,000) and the weighted average number of 4,483,712,000 ordinary shares (2014: 4,483,712,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is the same as the basis earnings per share for the years ended 31 December 2015 and 2014 as the Company did not have any dilutive potential ordinary shares outstanding during the years.

10. Debtors, other receivables, deposits and prepayments

	2015	2014
	HK$'000	*HK$'000*
Debtors	**1,237,155**	617,112
Other receivables, deposits and prepayments	**7,520,175**	5,733,244
	8,757,330	6,350,356
Less: Non-current portion		
- other receivables, deposits and prepayments	**(5,696,894)**	(4,376,789)
Current portion	**3,060,436**	1,973,567

Included in "Debtors, other receivables, deposits and prepayments" are debtors with the following ageing analysis as of the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Current	**660,592**	442,431
Within 1 month past due	**122,976**	55,687
More than 1 month but within 3 months past due	**79,238**	48,569
More than 3 months but within 6 months past due	**124,983**	9,004
More than 6 months but within 12 months past due	**174,260**	17,235
More than 12 months past due	**75,106**	44,186
Amounts past due	**576,563**	174,681
	1,237,155	617,112

10. Debtors, other receivables, deposits and prepayments *(continued)*

The ageing analysis of debtors based on the date of invoice (or date of revenue recognition, if earlier) as of the end of the reporting period is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**486,326**	354,707
More than 1 month but within 2 months	**122,894**	90,407
More than 2 month but within 4 months	**159,994**	80,909
More than 4 months but within 7 months	**193,757**	29,057
More than 7 months but within 13 months	**138,160**	17,423
More than 13 months	**136,024**	44,609
	1,237,155	617,112

Debtors are due within 30 to 90 days from the date of billing.

Included in "Debtors, other receivables, deposits and prepayments" of the Group are debtors of HK$1,237,155,000 (2014: HK$617,112,000) of which HK$13,312,000 (2014: HK$35,134,000) and HK$8,628,000 (2014: HK$10,734,000) are due from a non-controlling shareholder and a related company respectively. Debtors represent revenue from environmental energy project, environmental water project and greentech project operation services revenue. There was no recent history of default in respect of the Group's debtors. Since most of the debtors are local government authorities in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. No impairment loss was recognised by the Group at 31 December 2015 (2014: Nil).

"Debtors, other receivables, deposits and prepayments" include balances totalling HK$5,946,927,000 (2014: HK$4,531,875,000) which bear interest at rates ranging from 5.65% to 7.83% (2014: 5.94% to 7.83%) per annum and relate to the Group's service concession arrangements, among which HK$202,523,000 (2014: HK$208,021,000) and HK$489,322,000 (2014: HK$505,981,000) are due from a non-controlling shareholder and a related company respectively. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangements. No impairment loss was recognised by the Group at 31 December 2015 (2014: Nil).

Included in other receivables, deposits and prepayments at 31 December 2015 is an advance made to a local government authority in relation to a service concession arrangement amounting to HK$35,882,000 (2014: HK$31,150,000), which is unsecured, interest-bearing at rates announced by the People's Bank of China and will be settled by instalment until 2017.

Included in other receivables, deposits and prepayments at 31 December 2015 is prepayment of HK$7,644,000 (2014: Nil) to a non-controlling shareholder for construction works.

10. Debtors, other receivables, deposits and prepayments *(continued)*

All of the current portion of the above balances are expected to be recovered or recognised as expense within one year.

11. Gross amounts due from customers for contract work

	2015	2014
	HK$'000	*HK$'000*
Contract cost incurred plus recognised profits less anticipated losses	**22,944,995**	18,009,803
Less: Progress billings	**(5,575,642)**	(4,169,060)
Net contract work	**17,369,353**	13,840,743
Representing:		
Gross amounts due from customers for contract work		
- Non-current	**15,822,848**	12,630,020
- Current	**1,546,505**	1,210,723
	17,369,353	13,840,743

Included in "Gross amounts due from customers for contract work" are amounts of HK$161,293,000 (2014: HK$186,945,000) and HK$157,685,000 (2014: HK$179,561,000) which are due from a non-controlling shareholder and a related company respectively.

"Gross amounts due from customers for contract work" represent revenue from construction under Build-Operate-Transfer ("BOT"), Build-Transfer ("BT") and certain Build-Operate-Own ("BOO") arrangements or upgrade services under Transfer-Operate-Transfer ("TOT") arrangements and bear interest at rates ranging from 5.65% to 7.83% (2014: 5.94% to 7.83%) per annum. Among the total of HK$17,369,353,000 (2014: HK$13,840,743,000), HK$13,496,518,000 (2014: HK$11,121,800,000) relates to BOT, TOT and BOO arrangements with operation commenced. The amounts for BOT, TOT and BOO arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the arrangements. The amount for BT arrangements will be settled according to respective repayment schedules as stated in the agreements.

12. Creditors, other payables and accrued expenses

	2015	2014
	HK$'000	*HK$'000*
Creditors	**1,618,057**	1,349,777
Other payables and accrued expenses	**1,173,993**	945,224
Deferred income - government grants	**45,771**	-
	2,837,821	2,295,001
Derivative financial instruments		
- cross-currency swap	**-**	22,239
- warrants	**-**	991
	-	23,230
Less: Non-current portion	**2,837,821**	2,318,231
- other payables	**-**	(15,850)
- deferred income - government grants	**(43,365)**	-
Current portion	**2,794,456**	2,302,381

Included in "Creditors, other payables and accrued expenses" are creditors with the following ageing analysis as of the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Due within 1 month or on demand	**402,411**	141,499
Due after 1 month but within 3 months	**98,253**	87,548
Due after 3 months but within 6 months	**45,276**	41,471
Due after 6 months	**1,072,117**	1,079,259
	1,618,057	1,349,777

Creditors totalling HK$1,507,603,000 (2014: HK$1,279,360,000) represent construction payables for the Group's BT, BOT and certain BOO arrangements, among which HK$1,196,000 (2014: HK$1,246,000) is due to a non-controlling shareholder. The construction payables are not yet due for payment.

<u>Scope of work of KPMG</u>

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2015 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

<u>Business Review and Prospects</u>

OPERATING RESULTS

2015 has been a tumultuous year for the global economy. While the recovery of the US economy is still adjusting and gaining a solid footing, European and Japanese economies are still under structural reform, yet to achieve the expected results, and emerging markets saw an extreme divergence in economic performance. Having entered into a 'New Normal' under a new round of economic reform, the macro economy of China shifted from rapid growth to a normal state of stable growth, yet China's Gross Domestic Product growth remains in the leading position among major world economies. As China accelerates into comprehensive reform, pushing toward a new growth model focusing on green, low-carbon and sustainable development under the 'New Normal', China's green economy and environmental protection industry are set to embrace an unprecedented opportunity for long-term growth.

2015 was the last year of China's 12th Five-year Plan and a year with an "explosion" of environmental protection policies. The government introduced a number of policies to support the environmental protection industry, attaching the utmost importance to air, water and soil pollution control and the construction of ecological civilization. The newly revised *Environmental Protection Law of the People's Republic of China*, the *Opinions on Promoting the Third-party Treatment of Environmental Pollution*, the *Implementation Opinions on Promoting Public Private Partnership in the Water Pollution Prevention and Control Area*, the *Action Plan for Prevention and Treatment of Water Pollution*, the *Law on the Prevention and Control of Atmospheric Pollution*, the *Opinions on Accelerating the Ecological Civilization Construction* and the *Overall Plan for the Reform of Ecological Civilization System* have been released in succession. This has accelerated the need to construct a comprehensive ecological civilization system generating large amounts of investment and growth potential for the environmental management and services market.

2015 was full of challenges. Faced with increased and fierce market competition, the Group adhered to the development strategy of "Producing Quality Projects and Building a Quality Brand" and continued to build new demonstration projects creating bright spots for growth. With a strong sense of social responsibility and determination to protect the environment, the Group is dedicated to the strategy of "Leveraging Talent, Science and Technology to Expand from Coastal Areas to Inland Cities, from Cities to Rural Areas, and from Domestic to Overseas Markets with High Standards" to advance the growth of all of its business units, achieving outstanding results for the year. During the year under review, the Group achieved rewarding results, including the extension of its market footprint and industry product and service chain; continuing to build on its outstanding competitive advantage with its regional management approach, significantly strengthening and perfecting its internal management and its talent development and retention strategy.

In order to improve synergy, efficiency and the collaborative strength of various projects to keep the pace up with the Group's expansion in scale and creation of new business segments; during the year under review, the Group developed a new model of regional centralized management, establishing a total of six regional management centers in Suzhou, Nanjing, Changzhou, Jinan, Central Anhui and Northern Anhui. In addition, the Group also created a new management structure which not only optimizes the regional centralized management, but also strengthens the core competitive advantages of the four main business units, including environmental energy, environmental water, greentech, and envirotech, solidifying them as the engines of growth and development.

The Group applied a centralized management strategy for market expansion and successfully expanded into new fields, bringing its development to new heights. The Group has a business presence in 14 provinces and municipalities and more than 70 counties and cities in China and in Germany. Both the number of new projects and the total investment hit record highs. During the year under review, the Group obtained additional 34 environmental protection projects and acquired Dalian Dongda Water Co., Ltd ("Dalian Dongda"), commanding a total investment of over RMB10 billion. The newly signed projects included 14 environmental energy projects, 5 environmental water projects, and 15 greentech projects.

Following the successful listing on the Mainboard of Singapore Exchange Securities Trading Limited, the Group's non-wholly owned subsidiary, China Everbright Water Limited ("Everbright Water"), introduced two globally renowned investment institutions as strategic investors during the year: International Finance Corporation ("IFC"), a subsidiary of the World Bank, and Dalvey Asset Holding Ltd, a wholly-owned subsidiary of RRJ Capital Master Fund II, L.P., which was established by RRJ Capital. Everbright Water also obtained a long-term loan of USD140 million from IFC. In addition to optimizing the shareholding structure of Everbright Water, these moves represented a key step towards being better equipped to embrace the huge market potential. In addition, during the year under review, Everbright Water completed the acquisition of Dalian Dongda, boosting the total designed capacity of its waste water treatment business by over 35%. This laid a solid foundation for Everbright Water to become one of the top players in China's water industry and further strengthened the Group's leading position in the environmental protection industry.

During the year under review, the Group established greentech sector to replace the previous alternative energy sector. In order to provide larger space for the development of the greentech business, the Group made an application to The Stock Exchange of Hong Kong Limited ("HKEx") to seek approval for the possible spin-off and separate listing of the greentech business in September 2015, and received a written approval from the HKEx in November 2015. The move is steadily progressing and the spin-off listing of the greentech business will propel the sector into another phase of development.

The Group has always been committed to pursuing excellence in its operation philosophy, corporate governance, technology innovation and internal risk management and control. During the year under review, the Group's strong sense of social responsibility and outstanding management approach have been widely acknowledged by both society and the capital market. The Group was honored with a number of accolades including the Best Investor Relations Company; Outstanding Company in Corporate Governance; Asia's Best CEO; Listed Company with Best Brand Value and Outstanding Enterprise awards in 2015. The Group was ranked the first place again in the Top Ten Influential Solid Waste Treatment Enterprises in China once again and was named the Leading Enterprise in the Construction of Urban Veinous Industrial Park in China and one of China's Leading Waste-to-energy Enterprises. In addition, The Group was included as a constituent stock of the Hang Seng Corporate Sustainability Index for the second consecutive year and continued to be a constituent stock of the MSCI China Index, the Hang Seng China-Affiliated Corporations Index and the Hang Seng Mainland 100 Index. These honors demonstrate the Group's excellent achievements in business results, corporate governance and management which earned wide recognition by society and the investment community.

Over the years, the Group has adhered to the core value of "An Enterprise is not only a Creator of Wealth, but also the Safeguard of Environmental and Social Responsibility". While continuing to achieve remarkable operating results, the Group has also actively carried out its social responsibilities. The Group's environmental protection projects not only contributed to urban environmental restoration but have also become local publicity and environmental protection education bases. Everbright International Environmental Protection Charitable Foundation gave its full support to Earth Hour Hong Kong. It was a major environmental protection event, organized by WWF-HK for the second consecutive year, promoting environmental protection, energy conservation and nurturing public awareness of environmental protection through seminars, workshops and student ambassador scheme. During the year under review, the Group continued to work with the Chinese Society for Environmental Sciences and the Chinese Ecological Civilization Research and Promotion Association in order to promote education about environmental protection in China. In addition, the Group established a committee to promote the establishment of a standardized system for ecological civilization in the waste-to-energy industry with an objective to drive the compilation of various national, industrial and corporate standards.

The Group effectively improved the overall effectiveness and profit of the projects through its innovative and continuous reforms in both project construction and operation management. During the year under review, the Group's overall subsidies granted by the government amounted to RMB227 million, including a subsidy of RMB108 million obtained by Jiangsu Changzhou Xinbei Waste-to-energy Project ("Changzhou Xinbei Project") Phase I under the "2015 Central Budgetary Investment Plan". Wujiang Waste-to-energy Project ("Wujiang Project") and Zhenjiang Waste-to-energy Project ("Zhenjiang Project") Phase II also have obtained a subsidy of RMB30 million and RMB10 million respectively under the same scheme. Additionally, during the year, 2 waste-to-energy projects and 10 waste water treatment projects and reusable water projects have been approved to increase their waste processing fees and waste water treatment fees, showing that the Group's high-quality projects and operation have been recognized by both the central and local governments at all levels in addition to clients. The Group also continued to receive tax benefits in China. During the year under review, it received a value-added tax refund and income tax refund of RMB167,065,000 and RMB2,532,000 respectively.

During the year under review, in order to maintain sustainable development and meet funding requirements, the Group actively explored various funding channels to enhance its financial strength, and also adjusted its foreign currency reserves in light of the Renminbi's depreciation. In 2015, the Group signed loan agreements with a number of domestic and overseas commercial banks in order to be well-prepared for project development. As at 31 December 2015, the Group had cash on hand amounting to a record HK$6,673,412,000, and maintained a reasonable gearing level and healthy financial position. The Group achieved a steady growth in its business and further improved its competitive strength.

In 2015, the Group's construction projects continued to progress smoothly, resulting in substantial growth in construction service revenue. As for operating projects, the Group is committed to reducing costs and broadening income sources as well as optimizing its revenue structure, driving the continued growth of its overall operating efficiency. During the year under review, the Group's consolidated revenue amounted to HK$8,534,531,000, an increase of 34% over HK$6,355,120,000 in 2014. Profits from operations were HK$3,576,466,000, an increase of 33% over HK$2,680,443,000 in 2014. The EBITDA amounted to HK$3,754,449,000, an increase of 34% over HK$2,795,219,000 in 2014. Profit attributable to equity shareholders of the Group for the year of 2015 was HK$2,084,888,000, 22% more than HK$1,703,147,000 of 2014. Basic earnings per share of 2015 were HK46.50 cents, an increase of HK8.51 cents as compared to the HK37.99 cents in 2014.

The Group remains dedicated to enhancing value for its shareholders (the "Shareholders"). To reward the Shareholders for their support and taking into account the Group's need to achieve long-term sustainable development, the Board has proposed to pay a final dividend of HK12.0 cents per share to the Shareholders. The total dividends for the year are to be HK18.5 cents per share (2014: HK11.0 cents per share).

ENVIRONMENTAL PROTECTION BUSINESS

As at 31 December 2015, the Group has secured 169 environmental protection projects with a total investment of approximately RMB39.064 billion, of which RMB17.70 billion are for the projects that were completed and RMB7.74 billion are for the projects that were under construction; the balance of RMB11.685 billion are earmarked for projects in the preparatory stage.

During the year under review, the environmental protection business generated a total revenue of HK$8,393,427,000 of which HK$4,915,849,000, HK$2,184,906,000 and HK$1,292,672,000 accounted for construction services, operation services and finance income respectively. Year to year, revenue from construction services, operation services and finance income were increased by 36%, 24% and 35% respectively. The proportions of the revenue are as follows: construction service revenue 59%, operation service revenue 26% and finance income 15%.

Major financial data from the environmental protection business in 2015 is summarised in the table below:

	2015				2014 (restated)			
	Environmental Energy Projects	**Environmental Water Projects**	**Greentech Projects**	**Total**	Environmental Energy Projects	Environmental Water Projects	Greentech Projects	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
- Construction	**3,715,228**	**591,890**	**608,731**	**4,915,849**	2,810,542	112,079	704,835	3,627,456
- Operation	**880,281**	**755,365**	**549,260**	**2,184,906**	762,399	627,960	374,362	1,764,721
- Finance income	**804,863**	**467,895**	**19,914**	**1,292,672**	628,721	310,715	15,077	954,513
	5,400,372	**1,815,150**	**1,177,905**	**8,393,427**	4,201,662	1,050,754	1,094,274	6,346,690
EBITDA	**2,608,398**	**795,955**	**457,546**	**3,861,899**	2,033,257	570,800	378,430	2,982,487

The Group dedicates equal importance to generating both economic and social benefits, committing itself to the task of environmental protection and fulfilling its responsibilities to create new standards in all of its energy conservation and emission reduction indicators. During the year under review, the Group processed 6,928,000 tonnes of household waste and 52,000 tonnes of hazardous waste, 520,000 tonnes of agricultural waste and generated 2,738,301,000 kWh of green electricity. This output can support the annual electricity consumption for 2,282,000 households, it is equivalent to saving 1,095,000 tonnes of standard coal and can reduce carbon dioxide (CO_2) emissions by 2,922,000 tonnes. Meanwhile, the Group treated 899,163,000 m^3 of waste water, 1,353,000 m^3 of leachate from waste-to-energy plants and reduced COD emissions by 300,000 tonnes. Since the Group's first environmental protection project commenced in 2005, it has processed 28,161,000 tonnes of household waste, 353,000 tonnes of hazardous waste, 1,722,000 tonnes of agricultural waste, it generated 9,899,090,000 kWh of green electricity, fulfilling the annual electricity consumption for 8,249,000 households, saving the equivalent of 3,959,000 tonnes of standard coal, reducing CO_2 emissions by 11,595,000 tonnes and preventing 1,286,882,000 trees from being cut down.

The Group has treated 4,663,549,000 m^3 of waste water, 5,165,000 m^3 of leachate from waste-to-energy plants and reduced COD emissions by 1,735,000 tonnes.

I. ENVIRONMENTAL ENERGY

A. Environmental Energy

As at 31 December 2015, the Group had 46 waste-to-energy projects, 2 methane-to-energy projects, 1 sludge treatment and disposal project, 2 food waste treatment projects, with a total investment of approximately RMB20.427 billion. These facilities are designed with an annual household waste processing capacity of approximately 13,797,000 tonnes, which can generate an annual on-grid electricity of 4,145,459,000 kWh. The annual sludge treatment capacity is approximately 18,000 tonnes, while the annual food waste treatment capacity is approximately 73,000 tonnes.

Environmental energy projects continue to be the core of the Group's business development. In 2015, the Group secured 12 waste-to-energy projects and 2 food waste treatment projects. These projects commanded a total investment of approximately RMB3.853 billion, with an increase in designed daily household waste processing capacity of 6,450 tonnes, boosting the total daily waste processing capacity to 37,800 tonnes. This enabled the Group to keep a commanding market share in the sector. New projects included Hainan Sanya Waste-to-energy Project ("Sanya Project") Phase II, Sichuan Suining Waste-to-energy Project ("Suining Project"), Sichuan Ya'an Waste-to-energy Project ("Ya'an Project"), Shandong Pingdu Waste-to-energy Project ("Pingdu Project"), Shandong Laiwu Waste-to-energy Project ("Laiwu Project"), Shandong Laiwu Food Waste Treatment Project, Shandong Xintai Waste-to-energy Project ("Xintai Project"), Shandong Ju County Waste-to-energy Project ("Ju County Project"), Shandong Zoucheng Waste-to-energy Project ("Zoucheng Project"), Zhejiang Hangzhou Chun'an Waste-to-energy Project ("Chun'an Project"), Hunan Yongzhou Waste-to-energy Project ("Yongzhou Project"), Jiangsu Suqian Waste-to-energy Project ("Suqian Project") Phase II, Suqian Food Waste Treatment Project, and Henan Lankao Waste-to-energy Project ("Lankao Project"). During the year under review, the Group has expanded into food waste treatment projects. The integration of these projects with waste-to-energy solutions represents a new industry approach to urban solid waste problems.

During the year under review, 6 of the Group's waste-to-energy projects completed construction and commenced operation, including Zhenjiang Project Phase II, Changzhou Xinbei Project, Guangdong Boluo Waste-to-energy Project ("Boluo Project"), Zhejiang Ningbo Waste-to-energy Project ("Ningbo Project") Phase II, Shandong Rizhao Waste-to-energy Project ("Rizhao Project"), and Weifang Waste-to-energy Project ("Weifang Project"). The Group had 9 projects commence construction during the year, including Wujiang Project, Nanjing Waste-to-energy Project ("Nanjing Project") Phase II, Pei County Waste-to-energy Project ("Pei County Project"), Shandong Yiyang Waste-to-energy Project ("Yiyang Project"), Pingdu Project, Tengzhou Waste-to-energy Project ("Tengzhou Project"), Zhejiang Hangzhou Waste-to-energy Project ("Hangzhou Project"), Sanya Project Phase II and Laiwu Food Waste

Treatment Project. Projects in the preparatory stage are also progressing as scheduled. The Group is committed to improving operational efficiency by increasing electricity generated per tonne of waste and by lowering the volume of electricity consumed by factories. It has achieved positive revenue growth from operation services. In addition, Hainan Sanya Sludge Treatment and Disposal Project completed construction and commenced operation during the year.

The Group is dedicated to continually innovating its business models. In addition to the traditional business revenue generating models of investment, construction, operation and management, the Group has continued to actively explore various business models such as PPP and the entrusted operation model during the year. Based on its operational experiences from managing its own projects, the Group has demonstrated expertise in fixing problems caused by a lack of experience either from the investment side or the construction side. By taking over the projects with an entrusted operation mode, the Group ensures safe production and stable operations, meeting compliance and discharge standards. The entrusted operation mode is based on a model of investment and built by local governments or investors. Upon completion, the project is then handed over to the Group for the ongoing management and operation. The Group generates profit from entrusted operation service fee. During the year, the Group has signed the Guangdong Dongguan Machong Waste-to-energy Project for entrusted operation management, which is under construction currently.

The progress made during market expansion was driven by the stability of existing projects in operation which not only comply with discharge standards, but were also regarded as pioneers in industry and construction techniques standards. The Group continues to shoulder the responsibility for setting industry standards. With the successful application of grate furnace, gas emission purification and the third generation leachate treatment technologies, newly completed waste-to-energy projects have achieved significant results in operation standards and efficiency. During the year under review, the Group took the lead in disclosing environmental assessment information and emission standards of its operating waste-to-energy projects, voluntarily accepting supervision by the public, all of which have garnered widespread recognition.

The construction and operation of all of the Group’s environmental protection projects meet the highest industry standards. Gas emissions of all waste-to-energy projects fully complied with the EU2000 Standard and the leachate treatment met the National Grade 1 Emission Standard. In the year under review, the Group’s Jinan, Suzhou, Pizhou and Ningbo waste-to-energy projects, attained the status of “Provincial Industrial Tourism Demonstration Site”, while the Sanya Waste-to-energy Project earned the “Provincial Enterprise with Sustainable Economic Model” distinction. A comprehensive assessment of the Group’s waste-to-energy techniques by experts from the Chinese Society for Environmental Sciences certified that the Group has reached international advanced standards in technology research and development, equipment manufacturing, construction engineering, and operation management, forming a distinctive model that covers the entire waste-to-energy industry chain.

During the year under review, the Group's environmental energy projects processed a total 6,928,000 tonnes of household waste, and generated a total 1,883,199,000 kWh of on-grid electricity, an increase of 29% and 36% respectively as compared with 2014. The environmental energy business contributed an EBITDA of HK$2,608,398,000, an increase of 28% over 2014. The increase in profit was mainly attributable to the recognition of construction service revenue and construction cost savings during the year, as well as the increase in the operation service revenue which was boosted by continuing increases in the total processing volume of operating projects.

Major operating and financial data from the environmental energy business in 2015 is summarised in the table below:

	2015	2014
		(restated)
Waste-to-energy projects		
Waste processing volume (tonnes)	**6,928,000**	5,365,000
On-grid electricity (MWh)	**1,883,199**	1,389,768
EBITDA (HK$'000)	**2,608,398**	2,033,257

B. Environmental Protection Industrial Parks

The Group actively encourages environmental protection. Under the principle of Implementing Projects with One Success Followed by Another, the Group works closely with relevant local government authorities to design and build environmental protection industrial parks, making full use of local resources within the park, sharing infrastructure and optimizing available land resources. The goal of this exercise is to achieve efficient recycling of solid waste and to enhance energy conservation and emission reduction efficiency, making it easier for the government and enterprises to implement a centralized management system and ultimately achieve Nil Discharge. The parks will be established as modern environmental protection industrial parks and educational hubs for environmental protection.

As at 31 December 2015, the Group had 9 environmental protection industrial parks in Suzhou, Changzhou, Suqian, Zhenjiang New District, Yixing, Lianyungang Xuwei New District, Nanjing of Jiangsu province, Weifang of Shandong province and Ganzhou of Jiangxi province.

II. ENVIRONMENTAL WATER

As at 31 December 2015, Everbright Water, of which the Group owns 74.4%, has 60 waste water treatment projects, 5 reusable water projects and 2 waste water source heat pump projects, commanding a total investment of RMB8.588 billion. The projects are designed to have an annual waste water treatment capacity of approximately 1,397,950,000 m^3, providing a total annual reusable water volume of

29,634,000 m^3, and offering heating and cooling services to an area of 312,000 m^2 via waste water source heat pump projects.

Since completing the reverse takeover at the end of 2014, Everbright Water's new focus became implementing integration and obtaining steady growth in market share. During the year under review, the Group continued to develop new environmental water projects, secured 4 waste water treatment projects and 1 reusable water project, including Shandong Ju County Waste Water Treatment Project, Jinan Waste Water Treatment (Plant 1) Expansion Project ("Jinan Plant 1 Expansion Project"), Jinan Xike Waste Water Treatment Project (Plant 4) Phase II, Beijing Daxing Tiantanghe Waste Water Treatment Upgrading and Expansion Project ("Daxing Tiantanghe Project Phase II and Upgrade") and Nanjing Pukou Reusable Water Project. The new projects increased the Group's daily waste water treatment capacity by 200,000 m^3 and daily reusable water treatment capacity by 20,000 m^3. In addition, the Group was actively identifying acquisition targets. During the year, the Group completed the acquisition of Dalian Dongda, which has a total of 17 waste water treatment projects, representing an additional contracted daily waste water treatment capacity of 1,125,000 m^3, and with an operating daily treatment capacity of 945,000 m^3. The acquisition also allowed Everbright Water to extend its presence in Liaoning Province and Inner Mongolia Autonomous Region.

During the year under review, projects completed include the expansion and upgrade of Shandong Binzhou Boxing Waste Water Treatment Project Phase II, the construction and upgrade of Jiangsu Yangzhou Jiangdu Development Zone Waste Water Treatment Project Phase II, Henan Sanmenxia Waste Water Treatment Project Phase I, the construction and upgrade of Nanjing Pukou Waste Water Treatment Project Phase II and Shandong Zibo Reusable Water Project Phase II. Projects in progress include the construction and upgrade of Jiangsu Suzhou Wuzhong Chengnan Waste Water Treatment Project Phase II, Jinan Plant 1 Expansion Project, the construction and upgrade of Daxing Tiantanghe Project Phase II and Liaoning Dalian Liangjiadian Waste Water Treatment Project.

In addition to achieving operational excellence and meeting discharge standards, the Group has reduced operating costs by cutting electricity consumption, closely monitoring changes in water quality and making adjustments accordingly, as well as adopting a centralized procurement process. During the year under review, the Group's environmental water projects treated 899,163,000 m^3 of waste water, increase by 54% from 2014. Environmental Water projects contributed an EBITDA of HK$795,955,000, an increase of 39% from 2014, with the majority of the profit increase driven by revenue increases from construction services for project upgrades, growth in operation services and the processing capacity of water, as well as from positive price adjustment during the year.

Major operating and financial data from the environmental water business in 2015 is summarised in the table below:

	2015	2014
Environmental Water Projects		
Waste water treatment volume (m^3)	**899,163,000**	584,792,000
EBITDA (HK$'000)	**795,955**	570,800

III. GREENTECH

As at 31 December 2015, the Group had a total of 46 greentech projects, including 23 biomass integrated utilization projects, 13 hazardous waste treatment projects, 8 photovoltaic energy projects and 2 wind power projects, with a total investment of approximately RMB9.640 billion. The total designed annual processing capacity of agricultural waste was approximately 3,970,000 tonnes; annual processing capacity of household waste was approximately 1,278,000 tonnes; annual processing capacity of hazardous waste was approximately 293,000 tonnes; annual on-grid electricity generation was approximately 3,117,686,000 kWh and the annual heating supply was approximately 1,371,000 tonnes.

As the Chinese government continues to make extensive efforts in dealing with air pollution, the Group's biomass integrated utilization business has moved onto a fast track development phase. By building on the experience gained from current projects, the Group actively explored new development models and successfully established four biomass business models, including the urban-rural integration model, the biomass direct combustion power generation model, the biomass cogeneration/centralized heating model and the biomass molding fuel model. The systematic processing of agricultural waste effectively solved the air pollution problem caused by the burning and littering of straws. The new models also convert waste to energy, generating mutual benefits for local farmers, boosting economic development and reducing environment pollution.

During the year under review, the Group secured 14 biomass integrated utilization projects, including 12 urban-rural integration projects and 2 biomass direct combustion power generation projects, with a total investment of approximately RMB3.69 billion, as well as 1 hazardous waste treatment project with a total investment of approximately RMB170 million. The increased annual agricultural waste and straw processing capacity was approximately 2,070,000 tonnes, the increased annual household waste processing capacity was approximately 949,000 tonnes and the increased annual hazardous waste processing capacity was approximately 20,000 tonnes.

The Group is the pioneer in developing urban-rural integration projects that combine household waste-to-energy projects and agricultural biomass integrated utilization projects, creating a brand new solution for environmental restoration in small towns and counties. An urban-rural integration project combines the processing models of household waste and agricultural straw by constructing the waste incineration and biomass power generation projects in the same place and district. Through sharing the same gas and water systems, transportation tracks and management, this model leverages the Group's regional network and resources, thus achieving greater economic benefits for all. The urban-rural integration model is also one of the key business developments of the Group. As at 31 December 2015, the Group secured 16 urban-rural integration projects. The completion of these projects is expected to deliver a new source of growth for the Group. In terms of project construction, during the year under review, the Group had 9 greentech projects under construction, including Anhui Huaiyuan Biomass Integrated Utilization Project, Dingyuan Biomass Integrated Utilization Project, Jiangsu Xuyi Biomass Integrated Utilization Project, Sucheng Biomass Integrated Utilization Project, Anhui Dangshan Waste-to-energy Project, Zibo Integrated Hazardous Solid Waste Treatment Project Phase I, Guanyun Hazardous Solid Waste Landfill Project Phase I, Binhai Hazardous Solid Waste Landfill Project and Jiangsu Xinyin Hazardous Waste Treatment Project. All projects under construction are progressing well and are expected to be completed in 2016 and 2017.

During the year under review, the Group's greentech projects in operation include 2 biomass integrated utilization projects, 8 photovoltaic energy projects, 2 hazardous waste treatment projects and 2 wind power projects. The greentech projects provide a total on-grid electricity of 511,852,000 kWh, an increase of 69% from last year. The greentech business contributed an EBITDA of HK$457,546,000 an increase of 21% from last year. The increase in profit was mainly from the increase in operation service revenue driven by the growth in the processing volume of the biomass and hazardous waste treatment projects which offset the decrease in construction service revenue.

Major operating and financial data of the greentech business in 2015 is summarised in the table below:

	2015	2014
		(restated)
Greentech projects		
On-grid electricity (MWh)	**511,852**	302,377
Agricultural waste and straw processing volume (tonne)	**520,000**	359,000
Industrial and hazardous waste processing volume (tonne)	**52,000**	57,000
EBITDA (HK$'000)	**457,546**	378,430

ENVIRONMENTAL PROTECTION ENGINEERING

By establishing a standardized engineering management system and process, making the most of its management experience and improving its core competencies, the Group was able to provide high quality construction engineering services and enhance the efficiency of the construction and operation of various projects. During the year under review, the Group had 37 projects under construction, with 15 projects completing and commencing operation, commanding a total investment of RMB3.55 billion. In addition, there are 22 projects under construction, commanding a total investment of approximately RMB7.74 billion, and 43 projects in the preparatory stage, commanding a total investment of RMB11.485 billion. The number of projects and contracts reached record highs for the corresponding periods over the years.

During the year under review, 6 waste-to-energy projects completed construction and commenced operation, including Boluo Project, Zhenjiang Project Phase II, Ningbo Project Phase II, Rizhao Project Phase I, Weifang Project Phase I and Changzhou Xinbei Project. There were 8 waste-to-energy projects that commenced construction during the year, including Wujiang Project, Yiyang Project, Hangzhou Project, Sanya Project Phase II, Nanjing Project Phase II, Pingdu Project, Pei County Project Phase I and Tengzhou Project Phase I.

Despite taking on projects large in quantity and wide in regional footprint, the Group’s construction engineering team overcame every difficulty by adopting a regional approach in standardizing the management of engineering technology which has since proved highly effective. The construction and commencement of operation of these projects not only established demonstration models for other projects but also laid the foundations for strong growth within the Group. With the completion and commencement of operation of the Boluo Project, the Group marked its first entry into environmental protection in Guangdong Province. Meanwhile, the completion and commencement of operation of the Changfangshan and Zhaojiashan wind power projects also brought the Group with a precious experience in wind power project construction.

As at 31 December 2015, the Group had a total of 22 environmental protection projects under construction, including 8 waste-to-energy projects, 1 food waste treatment project, 4 hazardous waste treatment projects, 5 biomass integrated utilization projects and 4 water restoration projects. The Group is committed to the principle of “First Class Quality, High Standards, Advanced Technology, and Outstanding Efficiency” with regards to all project construction. In addition, it strives to create benchmark projects across the country.

ENVIRONMENTAL PROTECTION TECHNOLOGY

The Group, which has always adhered to the philosophy of planning based on scientific theory, meticulous organization, bold innovation and practice, has consistently improved its investment in R&D, enabling it to remain at the forefront of development in technology trends. The Group has established a set of R&D systems to ensure robust development and has introduced advanced technology from home and abroad in order to constantly improve its capability in technology R&D and relevant standards.

During the year under review, the Everbright Environmental Protection Technology Institute was officially opened in Shenzhen. The institute, being wholly invested in and operated by the Group, is a scientific research institution consisting of three major research divisions: incineration technology, water environment technology and engineering design, as well as two research teams specializing in integrated environmental services and information and control technology. The institute conducts extensive and in-depth research into the solid waste treatment technology of household waste, industrial hazardous waste, sludge and food waste, control software technology, biomass utilization technology, synergetic treatment of urban and rural waste in small- and medium-sized cities, waste water treatment in urban cities and environmental restoration technology. This is an integral part of the Group's development strategy on moving "From Cities to Rural Areas, from Coastal Areas to Inland Cities, from Domestic to Overseas markets" in order to provide different users with tailor-made unit processing technology and a full portfolio of engineering technology and integrated solutions.

During the year under review, the Group's self-developed 750-tonne/day grate furnace was installed in the Wujiang Project. The licensed Martin-furnaces have been successfully used in projects, with two sets operating smoothly at the Changzhou Xinbei Project, producing good results. In addition to independent R&D efforts, the Group also successfully imported internationally advanced technology such as the hazardous waste countercurrent rotary kiln technology from the Belgian company BIC, as well as the water-cooling grate furnace technology from Swiss company Stiefel; therefore further improving the Group's technological development capabilities with supplementary and complementary technologies. The water-cooling grate furnace technology can apply to both biomass direct combustion power generation and waste-to-energy projects. Given its advantages in reducing thermal wear and pressure, it substantially improved the Group's efficiency and reliability, compared with a traditional air cooling system.

During the year under review, the Group was granted with 31 patents, of which 7 were invention patents and 24 were utility invention patents, and 3 were software copyright licenses. In addition, the Group received approximately RMB5.5 million in technology subsidies and achievement grants from central and local governments. The Group will continue to strengthen its efforts in advancing R&D, fueling the Group's capability, market expansion and sustainability.

ENVIRONMENTAL PROTECTION EQUIPMENT MANUFACTURING

In 2015, the Group's environmental protection equipment manufacturing business experienced steady growth. Currently, the Group's production of environmental protection equipment is located in Changzhou City in Jiangsu Province ("Changzhou Equipment Manufacturing Project"), mainly manufacturing incinerators, leachate treatment systems, gas emission purification equipment and other major equipment used at the Group's waste-to-energy projects. In addition, the Group is developing the business of equipment sales to external parties. With the completion construction and commencement of operation of Changzhou Equipment Manufacturing Project Phase II, the Group's manufacturing capability increased significantly. It will meet growing internal demand from project expansion within the

Group and create new opportunities for external sales.

During the year under review, in accordance with the pace of the Group's project construction, Changzhou Equipment Manufacturing Project completed the production and commissioning of 13 sets of incinerators, 8 sets of gas purification systems and production of 7 sets of leachate treatment systems. The Group obtained a number of supporting grants totaling RMB11.28 million.

In external equipment sales, leveraging on its outstanding performance quality and technological strength, the Group markets the "made by Everbright" series through various channels and platforms such as trade exhibitions and conferences, direct sales and strategic collaboration. In 2015, the external sales of waste incinerators, gas purification system and leachate treatment equipment, set a new record again with a total contract value approximately RMB240 million. In the overseas market, the Group further expanded into Ethiopia and the U.K., providing leachate and gas treatment systems for new clients.

In addition, the Group has been improving the standard of its professional after-sales services team, establishing a client services response system in order to handle client requests more efficiently. During the year under review, the Group signed approximately 70 contracts for after-sales services and spare parts sales, successfully growing the after-sales service market.

BUSINESS PROSPECTS

2015 was the final year of China's 12th Five-year Plan and also the year for the Group to charge ahead with its mission. Over the past year, with the launch of a series of environmental protection related policies in China, boosting the development of the environmental protection industry, the Group thrived in an industrial environment filled with huge opportunities. While strengthening the strategic deployment of its business units, the Group also improved its management and operational capabilities. In the ever-changing market environment, the Group remains committed to the guiding principle that "An Enterprise is not only a Creator of Wealth, but also the Safeguard of Environmental and Social Responsibility". In the meantime, the Group continues to invest, build and operate a number of high-quality environmental protection projects, as well as continuously seeking innovation. As a result, the Group has consolidated its position as a leading integrated solution provider for the environmental market at home, as well as abroad.

2016 marks the first year of China's 13th Five-year Plan. A number of issues, such as the imbalance of rural and urban development, an increasing shortage of resources and ecological degradation that has not seen any improvement, will pose challenges as well as immense opportunities in the next five years. On the environmental protection front, in the context of China's 'New Normal' economy, the Ministry of Environmental Protection of China has made its mandate clear in the 13th Five-Year Plan of National Environmental Protection - that the environmental management needs new ideas and plans to improve the overall quality of air, water and soil in the country. In addition, the Ministry of Environmental Protection will adopt stricter guidelines in monitoring relevant emissions and discharges. As a result of the stricter regulations and encouragement in innovation from the government, China's environmental protection industry will be continually motivated to improve its standards. As the country pays more attention to and invests more in environmental protection causes, the Group will take the lead among environmental protection enterprises, conducting strategic business planning with a long-term view, leveraging on the strength of all of its business units, making full use of its potential and advantages within its departments, following market trends closely to identify development opportunities, and seeking innovative business models, ensuring the Group maintains a healthy growth.

In 2016, each business unit will aim to seize every opportunity and improve its core competitiveness. It will adhere to the fundamentals of "steadiness, growth and integrity" in order to create further growth. On "steadiness", the Group will analyze policies with diligence, setting realistic targets; act on opportunity in a timely manner and ensure that internal risk control measures are firmly in place. In recent years, China has launched a series of environmental protection-related laws and regulations promising opportunities of all kinds. To achieve the right kind of growth, the Group must follow the strict principles of "no random expansion, no business without clear benefits, and no price cutting competition" - (the "Three No" principle) for all project developments. The Group will ensure the business develops at an appropriate pace with quality, achieving improvements in both business scale and efficiency. On "growth", the Group subscribes to the philosophy of "making steady progress continuously is the only way to succeed and stability is the premise with progress as the goal". The Group understands that dichotomy of growth brings success and regression leads to failure. On "integrity", the Group believes that any company must work hard and build its business on firm ground in order to yield a rich harvest.

Fueled by a series of favourable policies, the waste-to-energy sector has been in a rapid growth phase in China. The Group has seen strong growth momentum in its waste-to-energy business, which has been the focus of its business development. The number and quality of the waste-to-energy projects that are invested, built and operated by the Group have increased and improved steadily. In addition, with problems of excessive urban waste and waste treatment challenges in the rural areas becoming more acute and urgent, the 13th Five-year Plan has emphasized repeatedly the goal of achieving "regional synergy and urban-rural integration", outlining a broad prospect and several opportunities for the Group's urban-rural integration services. On its water business unit, since integrating its environmental water business, the Group has experienced significant improvement in its water business in terms of quality, scale and diversification. The overall water business continues to grow steadily, and with the official launch of the Water Pollution Prevention and Control Action Plan, Everbright Water will welcome more business opportunities. Moreover, the Group will proactively leverage on its technology innovation, operation and management, to create steady growth in its other business units, in particular biomass energy integrated utilization, environmental protection industrial parks and environmental protection equipment manufacturing. The Group will continue to explore innovative business models that meet market demand, integrate business units to achieve synergy, maximize overall operating efficiency, and improve its brand influence and its industry leadership position, all leading to the increase of its market share domestically and abroad.

Both the Central Government's 13th Five-year Plan and the National Environmental Protection's 13th Five-year Plan place an important emphasis on green development, ecological management and the construction of ecological civilization, creating unprecedented opportunities for enterprises in the environmental protection industry. Led by these policies and supported by China Everbright Group Ltd. ("China Everbright Group"), its controlling company, the Group will continue to adhere to its core business value, closely follow policy trends, remain in tune with market pulses, commit to improving risk management and control, and continue to explore domestic and overseas markets, ensuring steady growth in all of its business units. While creating value for its Shareholders, the Group will also actively carry out its corporate social responsibility in addition to acting as the lead amongst environmental protection enterprises in China, contributing to the environmental protection industry and environmental protection business in China. In the meantime, by following the "One Belt One Road" strategy set by the country, the Group will grow from serving domestic markets to abroad, setting a path for future growth and assuming greater responsibility for the benefit of the global ecological environment.

FINANCIAL POSITION

As at 31 December 2015, the Group's total assets amounted to HK$40,623,072,000 with net assets amounting to HK$19,420,541,000. Net asset value per share attributable to equity shareholders of the Group was HK$3.835 per share, representing an increase of 6% as compared to HK$3.627 per share as at the end of 2014. As at 31 December 2015, gearing ratio (total liabilities over total assets) of the Group was 52%, an increase of 9 percentage points as compared to that of 43% as at the end of 2014.

FINANCIAL RESOURCES

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2015, the Group had cash and bank balances of HK$6,673,412,000, representing an increase of HK$1,523,263,000 as compared to HK$5,150,149,000 at the end of 2014. Currently, most of the Group's cash, representing 98%, is denominated in Hong Kong dollars and Renminbi.

BORROWING

The Group is dedicated to improving banking facilities to reserve capital to support its environmental protection business development. As at 31 December 2015, the Group had outstanding borrowings of HK$15,820,666,000, representing an increase of HK$6,684,155,000 as compared to HK$9,136,511,000 at the end of 2014. The borrowings as at 31 December 2015 included secured interest-bearing borrowings of HK$9,036,122,000 and unsecured interest-bearing borrowings of HK$6,784,544,000. The borrowings are mainly denominated in Renminbi, representing about 57% of the total, and the remaining is denominated in US and Hong Kong dollars. Most of the borrowings are at floating rates. As at 31 December 2015, the

Group had banking facilities of HK$22,082,027,000, of which HK$6,261,361,000 have not been utilized. The banking facilities are of 1 to 10 years terms.

FOREIGN EXCHANGE RISKS

The Group's assets, borrowings and major transactions are mainly denominated in Renminbi. The Group mainly settles business expenses in mainland China with Hong Kong dollar remittance and income in Renminbi. It has not used any financial instruments to hedge against bank borrowings in Renminbi, which are used mainly to meet capital requirements of its business in China. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings.

PLEDGE OF ASSETS

Certain banking facilities at the Group were secured by revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages on fixed assets and equity interests of certain subsidiaries of the Company. As at 31 December 2015, the aggregate net book value of assets and equity interests in subsidiaries pledged amounted to approximately HK$20,487,905,000.

COMMITMENTS

As at 31 December 2015, the Group had purchase commitments of HK$2,728,184,000 outstanding in connection to construction contracts.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group issued financial guarantees to 7 subsidiaries. The Board does not consider it probable that a claim will be made against the Group under the guarantees. The maximum liability of the Company as at 31 December 2015 for the provision of the guarantees related to the facilities drawn down by the subsidiaries was HK$1,502,068,000.

INTERNAL MANAGEMENT

Strengthening management and risk control have always been an important part of the business operation. The Group subscribes to the management principle of "People-oriented, Pragmatism, Creativity and Systematic Management" with due diligence and is committed to building a comprehensive risk management culture. With the efforts of the Risk Management Advisory Committee, the Engineering and Technology Management Committee and the Budget Approval Management Committee, the Group has created strict regulations on investment in, the construction of, and operation of environmental protection projects. In order to further improve risk and environmental management, the Group has commissioned external professional consulting firms to establish tune the new management systems specifically for risk and ESHS (Environment, Safety, Health and Social Responsibility). By being environmentally and socially responsible, the Group will continue on its path to achieving excellence and innovative goals.

During the year under review, the Group held management committee meetings on a monthly basis to review all projects under construction and operation. The Group's internal audit department has performed audits, ensuring the strict compliance of various systems to improve internal management. While continuing to refine its rules and regulations internally, the Group will also actively participate in the creating and editing of the latest editions of emission standards for the environmental protection industry in China, including gas emission standards, leachate treatment standards, ash treatment standards and incineration residue treatment standards. By adhering to the relevant standards, the Group and ultimately the entire industry will be able to upgrade its operation and management standards. With the aim of improving synergy among multiple environmental protection projects in the same region, the Group also launched regional management to integrate various resources and boost its management efficiency. Based on the Changzhou demonstration site launched last year, the Group set up additional new regional management centers in Suzhou, Nanjing, Jinan, Central Anhui and Northern Anhui, which will improve external and internal communication and integration across different projects within the districts, improving overall management efficiency.

Committed to maintaining safe and stable operations in compliance with discharge standards, and with the goal of ensuring no major safety and environmental accidents, the Group has rolled out intercompany initiatives to compete in four areas: saving expenses, increasing income and efficiency, reducing energy consumption and lowering costs, ultimately improving the comprehensive auxiliary power consumption rate of waste-to-energy projects, leading to an improvement in efficiency across all projects.

HUMAN RESOURCES

The Group strongly values its human resources, putting great emphasis on staff training. It believes helping its employees to realize their full potential is crucial to its long term growth. The Group continues to improve its human resources through internal training as well as local, overseas, and on-campus recruitment. During the year under review, the Group held training sessions on safety and financial management to enhance the overall quality of its staff. To facilitate the integration of new staff, it held the 12^{th} and 13^{th} round of execution training for more than 500 participants. It also sent 36 managers and senior technical staff to participate in a CEO Course (the 5^{th} session). To ensure staff development remains in line with the Group's sustainable development, it completed a competitive selection of middle management and managerial support personnel for its mainland China headquarters, and further improved its management talent development program, which helps motivate staff to achieve greater success in their careers. In addition, the Group announced and implemented several new employee guidelines, aiming to encourage staff to support the development of new initiatives and projects, all of which will contribute to the overall development of talent within the Group.

As of 31 December 2015, the Group had approximately 4,300 employees in Hong Kong and mainland China. Employees within the Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from a discretionary performance bonus, the Group also provides other benefits such as medical insurance and MPF schemes to employees in

Hong Kong.

Change of Auditors

According to the relevant regulations issued by the Ministry of Finance of the PRC regarding the audit work on financial statements of state-owned enterprises, there are restrictions in respect of the years of audit services that an accounting firm can continuously provide to a state-owned enterprise. The Company is an indirect subsidiary of China Everbright Group which is a state-owned enterprise. Since the number of years that the Company has continuously engaged its existing auditors, Messrs. KPMG, has exceeded the prescribed time limit, Messrs. KPMG will retire as the auditors of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company (the "Forthcoming AGM") and accordingly, will not seek for re-appointment. Special notice has been given by a Shareholder which is an indirect subsidiary of China Everbright Group, pursuant to Sections 400(1) and 578 of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong), of the intention to propose the following resolution as an ordinary resolution at the Forthcoming AGM:

"THAT Messrs. Ernst & Young be appointed as the auditors of the Company in place of the retiring auditors, Messrs. KPMG, to hold office until the conclusion of the next annual general meeting of the Company at a remuneration to be fixed by the board of directors of the Company."

The Board has resolved, with the endorsement of the Audit Committee of the Company, to recommend the appointment of Messrs. Ernst & Young as the new auditors of the Company following the above-mentioned retirement of Messrs. KPMG and such proposed appointment is subject to the approval of the Shareholders at the Forthcoming AGM.

The Company has received a confirmation letter from Messrs. KPMG confirming that there are no matters connected with its retirement that should be brought to attention of the Shareholders. The Board has confirmed that there are no matters in respect of the proposed change of auditors that need to be brought to the attention of the Shareholders.

Corporate Governance

The Group strives to maintain a high standard of corporate governance as it believes good corporate governance practices are increasingly important for maintaining and promoting the confidence of the Shareholders. They are crucial for the development of the Group's business and protection of the Shareholders' interests. The Group upholds the management principle of "People-oriented, Pragmatism, Creativity and Systematic Management", and through a set of rules and regulations, has continuously strengthened internal controls and risk management. Furthermore, by full and timely public disclosure of information, the Group has maintained transparency and accountability which also enhanced its corporate values. The Board meets regularly and has currently six Board committees, namely Audit Committee, Risk Management Committee, Nomination Committee, Remuneration Committee, Disclosure Committee and

Management Committee. For project risk management, the Group has set up a Risk Management Advisory Committee to monitor and assess risks regularly, boost related management standards and evaluate investment projects. Regarding project technological risk management, the Group has in place an Engineering and Technology Management Committee which is responsible for assessing the technologies used in different investment projects. For project financial control, the Group insists on stringent budget management, and has set up a Budget Approval Management Committee that focuses on monitoring construction budgets. In addition, the Group has also set up an Internal Audit Department to perform internal audits to bolster the Group's management standards.

The Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the HKEx (the "Listing Rules") has been duly adopted by the Board as the code on corporate governance practices of the Company.

The Company has complied with the CG Code for the year ended 31 December 2015, except that the Chairman of the Board was unable to attend the annual general meeting of the Company held on 27 May 2015 due to other business engagements. This constitutes a deviation from the code provision E.1.2 of the CG Code which requires the Chairman of the Board to attend the annual general meeting.

Audit Committee

The Audit Committee, currently comprising all 4 independent non-executive Directors, namely Mr. Mar Selwyn (Chairman), Mr. Fan Yan Hok, Philip, Mr. Li Kwok Sing, Aubrey and Mr. Zhai Haitao, is primarily responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing the internal control and financial reporting matters of the Group, etc. The terms of reference of the Audit Committee are disclosed on the website of the Company.

During the year under review, the Audit Committee reviewed with the management and KPMG, the Company's auditors, including but not limited to the accounting principles and practices adopted by the Group, significant audit matters such as significant accounting estimate and judgmental areas, and discussed the Group's internal control and financial reporting matters, including review of the annual results for the year ended 31 December 2014 and the interim results for the six months ended 30 June 2015.

Risk Management Committee

On 1 January 2016, the Company established the Risk Management Committee which currently comprises Mr. Fan Yan Hok, Philip (Chairman), an independent non-executive Director, Mr. Mar Selwyn, an independent non-executive Director, Mr. Wong Kam Chung, Raymond, the Chief Financial Officer, Mr. Cai Shuguang, an executive Director, and Ms. Xu Nailing, the financial controller of Everbright Environmental Protection (China) Limited (a wholly-owned subsidiary of the Company). Its main duties are to provide oversight of the Company's risk management programs, and to review the effectiveness of management's processes for identifying, assessing, mitigating and monitoring enterprise-wide risks. The terms of reference of the Risk Management Committee have been established in writing.

Nomination Committee

The Nomination Committee currently comprises Mr. Zhai Haitao (Chairman), an independent non-executive Director, Mr. Chen Xiaoping, the Chief Executive Officer, and 3 other independent non-executive Directors, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn and Mr. Li Kwok Sing, Aubrey. Its primary responsibilities include making recommendations to the Board on appointment of Directors and assessing the qualifications and competencies of the candidates, so as to ensure that all nominations are fair and transparent. The terms of reference of the Nomination Committee are disclosed on the website of the Company.

Remuneration Committee

The Remuneration Committee currently comprises Mr. Li Kwok Sing, Aubrey (Chairman), an independent non-executive Director, Mr. Liu Jun, the Vice-chairman of the Board, and 3 other independent non-executive Directors, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn and Mr. Zhai Haitao. The terms of reference of the Remuneration Committee, which are disclosed on the website of the Company, set out the duties of the Remuneration Committee, including determining, with delegated responsibilities, the remuneration packages of the individual executive Directors and senior management.

Disclosure Committee

The Disclosure Committee currently comprises Mr. Chen Xiaoping (Chairman), the Chief Executive Officer, Mr. Wang Tianyi, the General Manager, Mr. Wong Kam Chung, Raymond, the Chief Financial Officer and the Company Secretary. The Board has delegated the day-to-day execution of its continuous disclosure obligations to the Disclosure Committee to ensure the compliance of the Company with its disclosure obligations. The terms of reference of the Disclosure Committee have been established in writing.

Management Committee

The Management Committee comprises Mr. Chen Xiaoping (Chairman), the Chief Executive Officer, Mr. Wang Tianyi, the General Manager, Mr. Wong Kam Chung, Raymond, the Chief Financial Officer, Mr. Cai Shuguang, an executive Director, Mr. Hu Yanguo, Mr. Qian Xiaodong and Mr. An Xuesong. The Management Committee is responsible for the management of daily business operations, formulating and implementing annual work tasks and medium-term development plans for the Group, etc. The Management Committee is the decision-making body for day-to-day business activities and makes collective decisions on major matters relating to the Group’s daily business operations, management and personnel matters, etc. The terms of reference of the Management Committee have been established in writing.

Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the

"Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2015.

Final Dividend

The Board has proposed to pay a final dividend of HK12.0 cents per share (2014: HK6.0 cents per share) to the Shareholders whose names appear on the register of members of the Company on Monday, 30 May 2016. Subject to approval by the Shareholders of the final dividend at the Forthcoming AGM of the Company, dividend cheques will be dispatched to the Shareholders on or around Thursday, 23 June 2016.

Closure of Register of Members

The register of members will be closed from Thursday, 12 May 2016 to Tuesday, 17 May 2016, both days inclusive, on which no transfer of shares will be effected. In order to qualify for attendance of the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Wednesday, 11 May 2016.

The register of members will also be closed from Thursday, 26 May 2016 to Monday, 30 May 2016, both days inclusive, on which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Wednesday, 25 May 2016.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year.

By Order of the Board
China Everbright International Limited
Chen Xiaoping
Chief Executive Officer

Hong Kong, 29 February 2016

As at the date of this announcement, the Board comprises: (i) six executive directors, namely Mr. Tang Shuangning (Chairman), Mr. Liu Jun (Vice-chairman), Mr. Chen Xiaoping (Chief Executive Officer), Mr. Wang Tianyi, Mr. Wong Kam Chung, Raymond and Mr. Cai Shuguang; and (ii) four independent non-executive directors, namely Mr. Fan Yan Hok, Philip, Mr. Mar Selwyn, Mr. Li Kwok Sing, Aubrey and Mr. Zhai Haitao.