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

(Incorporated in Hong Kong with limited liability)

(Stock Code : 257)

2016 RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

Bold Visions to Overcome Every Challenge

- Revenue increased by 64% to HK$13,971,204,000 (2015 (restated): HK$8,528,393,000)
- EBITDA increased by 35% to HK$5,051,261,000 (2015: HK$3,754,449,000)
- Profit attributable to equity holders increased by 34% to HK$2,784,863,000 (2015: HK$2,084,888,000)
- Final dividend of HK13.0 cents per share (2015: HK12.0 cents per share)

2016 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 2016 together with comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
REVENUE	*4*	**13,971,204**	8,528,393
Direct costs and operating expenses		**(8,661,638)**	(4,625,701)
Gross profit		**5,309,566**	3,902,692
Other revenue	*5*	**464,916**	350,743
Other income and gains/(losses), net	*5*	**(39,775)**	91,431
Administrative expenses		**(1,059,294)**	(768,400)
PROFIT FROM OPERATING ACTIVITIES		**4,675,413**	3,576,466
Finance costs	*6*	**(639,584)**	(451,759)
Share of profits and losses of joint ventures		**63,373**	(6,046)
Share of profits and losses of associates		**(479)**	140
PROFIT BEFORE TAX	*7*	**4,098,723**	3,118,801
Income tax	*8*	**(1,062,150)**	(783,275)
PROFIT FOR THE YEAR		**3,036,573**	2,335,526
ATTRIBUTABLE TO:			
Equity holders of the Company		**2,784,863**	2,084,888
Non-controlling interests		**251,710**	250,638
		3,036,573	2,335,526
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*10*		
- Basic and diluted		**HK62.12 cents**	HK46.50 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**3,036,573**	2,335,526
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(190)**	22,653
Income tax effect relating to changes in fair value	–	(4,135)
Reclassification adjustment for gains included in the consolidated income statement		
- gain on disposal	–	(92,711)
- income tax effect relating to the disposal	–	13,907
	(190)	(60,286)
Exchange differences:		
Exchange differences on translation of foreign operations	**(1,922,087)**	(929,756)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,922,277)**	(990,042)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,114,296**	1,345,484
ATTRIBUTABLE TO:		
Equity holders of the Company	**1,072,829**	1,199,388
Non-controlling interests	**41,467**	146,096
	1,114,296	1,345,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investment properties		**157,140**	166,099
Property, plant and equipment		**3,029,417**	2,350,265
Prepaid land lease payments		**152,091**	151,047
		3,338,648	2,667,411
Goodwill		**1,563,390**	1,061,891
Intangible assets		**5,686,374**	3,357,187
Interests in joint ventures		**345,353**	209,161
Interests in associates		**228,047**	239,306
Gross amounts due from customers for contract work	*11*	**19,464,201**	15,822,848
Finance lease receivables		**17,273**	19,062
Other financial assets		**33,332**	24,800
Other receivables, deposits and prepayments	*12*	**6,494,188**	5,696,894
Deferred tax assets		**53,732**	36,483
Total non-current assets		**37,224,538**	29,135,043
CURRENT ASSETS			
Inventories		**361,540**	202,314
Gross amounts due from customers for contract work	*11*	**1,569,027**	1,546,505
Finance lease receivables		**526**	531
Debtors, other receivables, deposits and prepayments	*12*	**3,337,241**	3,060,436
Tax recoverable		**1,259**	4,831
Pledged bank deposits		**653,054**	555,277
Deposits with banks		**43,964**	164,654
Cash and cash equivalents		**6,340,579**	5,953,481
Total current assets		**12,307,190**	11,488,029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
CURRENT LIABILITIES			
Creditors, other payables and accrued expenses	*13*	**4,804,142**	2,794,456
Interest-bearing borrowings			
- Secured		**1,175,213**	1,947,620
- Unsecured		**3,236,961**	1,461,935
		4,412,174	3,409,555
Tax payable		**97,474**	119,295
Total current liabilities		**9,313,790**	6,323,306
NET CURRENT ASSETS		**2,993,400**	5,164,723
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,217,938**	34,299,766
NON-CURRENT LIABILITIES			
Other payables	*13*	**93,610**	43,365
Interest-bearing borrowings			
- Secured		**9,311,894**	7,088,502
- Unsecured		**7,891,581**	5,322,609
		17,203,475	12,411,111
Deferred tax liabilities		**3,075,645**	2,424,749
Total non-current liabilities		**20,372,730**	14,879,225
NET ASSETS		**19,845,208**	19,420,541
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**7,405,414**	7,405,414
Reserves		**9,983,888**	9,790,740
		17,389,302	17,196,154
Non-controlling interests		**2,455,906**	2,224,387
TOTAL EQUITY		**19,845,208**	19,420,541

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

The accounting policies and basis of preparation adopted in the preparation of the financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2015 except for the effect for the adoption of the revised HKFRSs issued by the HKICPA, which became effective for the first time for the current year's financial statements, as further detailed in note 2. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated. The financial statements have been reviewed by the Company's audit committee.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 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 Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2016, and the Company's predecessor auditors, KPMG, has reported on the financial statements of the Group for the year ended 31 December 2015. The auditor's reports for both years 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 Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

3. OPERATING SEGMENT INFORMATION

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 four 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 projects, 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 plants 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, solar energy projects and wind power projects, to generate revenue from construction services, revenue from operation services as well as finance income.

– Envirotech: this segment engages in the conduct of environmental protection technology research and development projects, the provision of environmental-related technological services, design of environmental protection projects and the manufacturing and sales of environmental protection project equipment, from which it generates revenue.

3. OPERATING SEGMENT INFORMATION *(continued)*

For the purpose 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, interests in associates 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 segment 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 technological services, assistance provided by one segment to another, including technical know-how, is not measured.

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

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

During the year, the Group redefined its business divisions to align with its organisational structure for the purpose of managing its strategic direction. Accordingly, the segment information of certain subsidiaries previously included in the "Environmental technology and construction management" segment has been reclassified to the "Environmental energy project construction and operation" segment and "unallocated head office and corporate income, expenses, assets and liabilities", and the segment information of certain subsidiaries previously included in "unallocated head office and corporate income, expenses, assets and liabilities" has been reclassified to the "Environmental energy project construction and operation" segment, "Environmental water project construction and operation" segment and "Greentech project construction and operation" segment. In addition, the Group reclassified the "Property investment" segment to "unallocated head office and corporate income, expenses, assets and liabilities" as a result of the diminishing importance of the "Property investment" segment to the operation of the Group. Accordingly, the comparative segment information has been reclassified to conform to the current year's presentation, and the revenue, contributed by the "Property investment" segment for the year ended 31 December 2015 of HK$6,138,000 was reclassified to other revenue from revenue on the face of the consolidated income statement.

3. OPERATING SEGMENT INFORMATION *(continued)*

(i) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

For the year ended 31 December

	Environmental energy project construction and operation		Environmental water project construction and operation		Greentech project construction and operation		Envirotech		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Segment revenue:										
Revenue from external customers	**7,905,111**	5,401,596	**2,494,037**	1,815,150	**3,025,940**	1,176,681	**546,116**	134,966	**13,971,204**	8,528,393
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**867,519**	554,420	**867,519**	554,420
Reportable segment revenue	**7,905,111**	5,401,596	**2,494,037**	1,815,150	**3,025,940**	1,176,681	**1,413,635**	689,386	**14,838,723**	9,082,813
Reconciliation:										
Elimination of inter-segment revenue									**(867,519)**	(554,420)
Reportable segment revenue derived from the Group's external customers									**13,971,204**	8,528,393

3. **OPERATING SEGMENT INFORMATION** *(continued)*

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

For the year ended 31 December

	Environmental energy project construction and operation		Environmental water project construction and operation		Greentech project construction and operation		Envirotech		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)				(Restated)		(Restated)		(Restated)
Segment results:										
Reportable segment profit (EBITDA)	**3,299,687**	2,670,199	**843,973**	795,955	**1,020,204**	436,460	**416,554**	170,606	**5,580,418**	4,073,220
Elimination of inter-segment profits									**(433,718)**	(253,956)
Reportable segment profit derived from the Group's external customers									**5,146,700**	3,819,264
Finance costs									**(639,584)**	(451,759)
Depreciation and amortisation, including unallocated portion									**(312,954)**	(183,889)
Unallocated head office and corporate income									**18,981**	17,647
Unallocated head office and corporate expenses									**(114,420)**	(82,462)
Consolidated profit before tax									**4,098,723**	3,118,801
Other segment information:										
Depreciation and amortisation	**58,148**	26,753	**101,275**	71,827	**131,509**	72,901	**17,728**	8,110	**308,660**	179,591
Additions to property, plant and equipment and prepayment of land leases during the year	**59,125**	31,275	**11,865**	10,607	**371,854**	1,039,345	**58,440**	61,424	**501,284**	1,142,651
Additions to intangible assets and non-current portion of prepayments during the year	**1,108,593**	89,738	**988**	609,392	**1,535,093**	327,552	**24,147**	12,957	**2,668,821**	1,039,639
Additions to non-current portion of other receivables and deposits and gross amounts due from customers for contract work during the year	**5,691,340**	4,488,836	**1,773,307**	2,639,613	**553,427**	251,435	**–**	–	**8,018,074**	7,379,884

3. OPERATING SEGMENT INFORMATION *(continued)*

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

	Environmental energy project construction and operation		Environmental water project construction and operation		Greentech project construction and operation		Envirotech		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Reportable segment assets	**24,526,890**	18,617,663	**13,851,356**	13,694,024	**7,414,046**	5,464,048	**1,225,995**	667,388	**47,018,287**	38,443,123
Non-current other financial assets									**33,332**	24,800
Unallocated head office and corporate assets									**2,480,109**	2,155,149
Consolidated total assets									**49,531,728**	40,623,072
Reportable segment liabilities	**10,871,253**	7,408,760	**6,662,303**	6,403,135	**3,266,397**	1,923,952	**681,433**	494,921	**21,481,386**	16,230,768
Unallocated head office and corporate liabilities									**8,205,134**	4,971,763
Consolidated total liabilities									**29,686,520**	21,202,531

3. OPERATING SEGMENT INFORMATION *(continued)*

(ii) Geographic 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, property, plant and equipment, prepaid land lease payments 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, property, plant and equipment and prepaid land lease payments, 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, property, plant and equipment, prepaid land lease payments and intangible assets**		**Non-current portion of other receivables, deposits and prepayments and gross amounts due from customers for contract work**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	–	–	**50,062**	52,948	–	–
Other parts of the People's Republic of China ("PRC")	**13,844,287**	8,521,891	**8,238,318**	5,922,712	**25,946,362**	21,519,742
Germany	**5,995**	6,502	**43,814**	48,938	–	–
Poland	**120,922**	–	**692,828**	–	**12,027**	–
Total	**13,971,204**	8,528,393	**9,025,022**	6,024,598	**25,958,389**	21,519,742

(iii) Information about a major customer

For the year ended 31 December 2016, the revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue. For the year ended 31 December 2015, the Group had transactions with a local government authority in the PRC from which the revenue arisen exceeded 10% of the Group's revenue. The revenue from that PRC local government authority during the year ended 31 December 2015 amounted to HK$961,001,000 which were derived from the "Environmental energy project construction and operation" segment and the "Greentech project construction and operation" segment.

4. 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 projects), 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, solar energy projects and wind power projects), envirotech (provision of environmental-related technological service, design of environmental protection projects, manufacturing and sales of environmental protection project equipment) 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, revenue from sales of equipment and environmental protection project design services. The amount of each significant category of revenue recognised during the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Revenue from environmental energy project construction services	**5,779,429**	3,715,228
Revenue from environmental water project construction services	**1,133,784**	591,890
Revenue from greentech project construction services	**2,073,986**	608,731
Revenue from environmental energy project operation services	**1,117,978**	880,281
Revenue from environmental water project operation services	**821,478**	755,365
Revenue from greentech project operation services	**914,988**	549,260
Finance income	**1,583,445**	1,292,672
Revenue from sales of equipment and environmental protection project design services	**546,116**	134,966
	13,971,204	8,528,393

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 the local government authorities in the PRC amounted to HK$12,996,599,000 (2015: HK$8,183,491,000) for the year ended 31 December 2016. 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.

5. OTHER REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET

An analysis of other revenue, other income and gains/(losses), net is as follows:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Other revenue		
Rental income	**8,496**	6,138
Interest income	**46,439**	51,977
Dividend income	**8**	3,319
Government grants*	**36,045**	49,314
Value-added tax refund**	**311,170**	206,141
Others	**62,758**	33,854
	464,916	350,743
Other income and gains/(losses), net		
Change in fair value of derivative financial instruments:		
Derivative financial instruments − transactions not qualified as hedges	**(28,528)**	−
Gain on sale of listed securities	−	92,711
Loss on disposal of property, plant and equipment, net	**(11,247)**	(1,280)
	(39,775)	91,431
	425,141	442,174

* Government grants of HK$36,045,000 (2015: HK$49,314,000) were granted during the year ended 31 December 2016 to subsidise certain environmental energy, environmental water and greentech projects of the Group in the PRC and Poland. There are 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 grants in the future.

** Value-added tax refund of HK$311,170,000 (2015: HK$206,141,000) was received/receivable during the year ended 31 December 2016 in relation to environmental energy, environmental water and greentech project operations of the Group in the PRC. There are 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.

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank advances and other loans	**645,924**	457,818
Interest on finance leases	**561**	–
Less: Interest expenses capitalised into construction in progress*	**(6,901)**	(6,059)
	639,584	451,759

* The borrowing costs have been capitalised at rates ranging from 4.5% to 4.9% (2015: 5.0% to 5.5%) per annum during the year ended 31 December 2016.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2016	2015
	HK$'000	*HK$'000*
Depreciation	**163,428**	90,547
Amortisation		
- prepaid land lease payments	**5,699**	1,204
- intangible assets*	**143,827**	92,138
Research and development costs	**54,180**	28,719
Minimum lease payments under operating leases	**17,384**	11,740
Auditor's remuneration		
- audit services	**4,040**	7,827
- other services	**480**	2,682
Employee benefit expense (excluding directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**804,194**	678,908
Retirement scheme contributions	**88,838**	69,294
	893,032	748,202
Foreign exchange differences, net	**72,742**	58,945
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**348**	348

* Included in "Direct costs and operating expenses" on the face of the consolidated income statement.

As at 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the retirement schemes in future years (2015: Nil).

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2016 (2015: Nil).

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

	2016	2015
	HK$'000	*HK$'000*
Current – Elsewhere:		
Charge for the year	**306,673**	270,916
Underprovision/(overprovision) in prior years	**(3,048)**	2,221
Deferred	**758,525**	510,138
Total tax expense for the year	**1,062,150**	783,275

9. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividend attributable to the year:		
Interim - HK7.5 cents (2015: HK6.5 cents) per ordinary share	**336,204**	291,441
Proposed final - HK13.0 cents (2015: HK12.0 cents) per ordinary share	**582,753**	538,045
	918,957	829,486
Dividend paid during the year:		
Final in respect of the previous financial year - HK12.0 cents (2015: HK6.0 cents) per ordinary share	**538,045**	269,023

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. 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.

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK$2,784,863,000 (2015: HK$2,084,888,000), and the weighted average number of approximately 4,483,124,000 (2015: 4,483,712,000) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

11. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2016	2015
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less anticipated losses	**27,760,449**	22,944,995
Less: Progress billings	**(6,727,221)**	(5,575,642)
Net contract work	**21,033,228**	17,369,353
Representing:		
Gross amounts due from customers for contract work		
- Non-current	**19,464,201**	15,822,848
- Current	**1,569,027**	1,546,505
	21,033,228	17,369,353

Included in "Gross amounts due from customers for contract work" are amounts of HK$207,589,000 (2015: HK$161,293,000) and HK$134,484,000 (2015: HK$157,685,000) which are due from a non-controlling shareholder of a non-wholly-owned subsidiary 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 4.90% to 7.83% (2015: 5.65% to 7.83%) per annum. Among the total of HK$21,033,228,000 (2015: HK$17,369,353,000), HK$15,502,312,000 (2015: HK$13,496,518,000) relates to BOT, TOT and BOO arrangements with operations 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 service concession arrangements. The amounts for BT arrangements will be settled according to the respective repayment schedules as stated in the agreements.

12. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Debtors	**1,377,070**	1,237,155
Other receivables, deposits and prepayments	**8,454,359**	7,520,175
	9,831,429	8,757,330
Less: Non-current portion		
- other receivables, deposits and prepayments	**(6,494,188)**	(5,696,894)
Current portion	**3,337,241**	3,060,436

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

	2016	2015
	HK$'000	*HK$'000*
Current	**916,283**	660,592
Within 1 month past due	**135,319**	122,976
More than 1 month but within 3 months past due	**42,660**	79,238
More than 3 months but within 6 months past due	**86,481**	124,983
More than 6 months but within 12 months past due	**137,214**	174,260
More than 12 months past due	**59,113**	75,106
Amounts past due	**460,787**	576,563
	1,377,070	1,237,155

12. 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 at the end of the reporting period is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**693,316**	486,326
More than 1 month but within 2 months	**169,487**	122,894
More than 2 months but within 4 months	**146,414**	159,994
More than 4 months but within 7 months	**95,215**	193,757
More than 7 months but within 13 months	**145,497**	138,160
More than 13 months	**127,141**	136,024
	1,377,070	1,237,155

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$1,377,070,000 (2015: HK$1,237,155,000), of which HK$19,600,000 (2015: HK$13,312,000) and HK$10,546,000 (2015: HK$8,628,000) are due from a non-controlling shareholder of a non-wholly-owned subsidiary and a related company, respectively. Debtors represent revenue from the provision of operation services for environmental energy projects, environmental water projects and greentech projects. 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 2016 (2015: Nil).

"Debtors, other receivables, deposits and prepayments" include balances totalling HK$6,568,288,000 (2015: HK$5,946,927,000) which bear interest at rates ranging from 4.90% to 7.83% (2015: 5.65% to 7.83%) per annum and relate to the Group's service concession arrangements, of which HK$195,407,000 (2015: HK$202,523,000) and HK$458,525,000 (2015: HK$489,322,000) are due from a non-controlling shareholder of a non-wholly-owned subsidiary 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 2016 (2015: Nil).

Included in "Other receivables, deposits and prepayments" at 31 December 2016 are advances made to local government authorities in relation to service concession arrangements amounting to HK$103,458,000 (2015: HK$35,882,000), of which HK$54,518,000 (2015: HK$35,882,000) is unsecured, interest-bearing at rates announced by the People's Bank of China and will be settled by instalments until 2017 and HK$48,940,000 (2015: Nil) is unsecured, interest-bearing at 10% over rates announced by the People's Bank of China and will be settled by instalments until 2026.

Included in "Debtors, other receivables, deposits and prepayments" at 31 December 2016 are debtors of HK$153,574,000 (2015: Nil) due from the Group's joint venture, which are repayable on credit terms similar to those offered to the customers of the Group, and advance of HK$53,785,000 (2015: Nil) to the Group's joint venture for daily operation, which is unsecured, interest-bearing at rates announced by the People's Bank of China and repayable within one year.

12. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Included in "Other receivables, deposits and prepayments" at 31 December 2016 are prepayments of HK$33,504,000 (2015: HK$7,644,000) to a non-controlling shareholder of a non-wholly-owned subsidiary for construction related works.

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

13. CREDITORS, OTHER PAYABLES AND ACCRUED EXPENSES

	2016	2015
	HK$'000	*HK$'000*
Creditors	**3,419,072**	1,618,057
Other payables, accrued expenses and deferred income - government grants	**1,450,152**	1,219,764
	4,869,224	2,837,821
Derivative financial instruments - cross-currency swap	**28,528**	–
	4,897,752	2,837,821
Less: Non-current portion - other payables, accrued expenses and deferred income - government grants	**(93,610)**	(43,365)
Current portion	**4,804,142**	2,794,456

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

	2016	2015
	HK$'000	*HK$'000*
Within 6 months	**3,047,205**	1,324,332
Over 6 months	**371,867**	293,725
	3,419,072	1,618,057

Creditors totalling HK$3,082,689,000 (2015: HK$1,507,603,000) represent construction payables for the Group's BT, BOT and certain BOO arrangements, of which HK$1,117,000 (2015: HK$1,196,000) is due to a non-controlling shareholder of a non-wholly-owned subsidiary. The construction payables are not yet due for payment.

Included in "Other payables, accrued expenses and deferred income - government grants" at 31 December 2016 is other payable of HK$1,555,000 (2015: Nil) due to the Group's associate, which is unsecured, interest-free and repayable on demand.

The cross-currency swap will be settled in 2017, when the Group will pay HK$646,365,000 and receive an agreed amount of Euro75,000,000.

14. COMPARATIVE AMOUNTS

As set out in note 3, certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

Business Review and Prospects

OPERATING RESULTS

In 2016, with the global economy remaining weak, many countries encountered challenges such as low growth rates, low interest rates, a decline in trade and a low-growth equilibrium. Various political and economic issues, such as Brexit, the rise of protectionism and a strengthening US dollar, have increased uncertainty on the global stage. China has made remarkable progress as part of its cross-century development and reform after years of economic restructuring.

The year of 2016 was the inaugural year of China's 13th Five-year Plan, in which green development remained a top priority. Accordingly, the central government launched a series of focused and more specific environmental protection policies which have had the effect of opening up unprecedented development opportunities for the green low-carbon economy. These include the 13th Five-Year Plan for Eco-environmental Protection, 13th Five-year Development Plan for Renewable Energy, 13th Five-year Development Plan for National Strategic Emerging Industries, and the National Framework of the 13th Five-year Scientific and Technological Development Plan for Environmental Protection, etc. Meanwhile, China also reformed its environmental management system, with the Ministry of Environmental Protection of the PRC having established three departments dedicated to water, air and soil protection to enhance the implementation of the prevention and control plans relevant to these areas. This will improve the country's environmental management and support China's long-term goal of improving the overall quality of its environment.

The year of 2016 was also the first year of the Group's next phase of development, the roots of which are based on the country's 13th Five-year Plan, and was also the first year during which the Group introduced a new management structure to facilitate the concurrent growth of its 4 major business segments. During the year under review, the Group's management teams at all levels and staff members were committed to bold visions which helped them overcome every challenge dutifully. With this, the Group achieved notable achievements across all aspects of its development and concluded the year with exceptional results, which creates positive momentum for the Group's next round of growth.

In terms of business growth, thirteen years of exploration and development meant that during the first year of the new round of development, the Group's revenue surpassed RMB10 billion, making it the first solid waste treatment enterprise in China's environmental protection industry to deliver this level of annual revenue. It was also an important year for the construction of the Group's projects, with 2016 witnessing the highest number of projects to commence and complete construction. During the year under review, the Group commenced the construction of 39 projects, while completing the construction and commencing the operations of 23 projects, with the number of project construction sites reaching as many as 62 at one stage. As a result, numerous national and provincial high quality projects were completed, some of which now serve as hubs for environmental protection education, popularisation of environmental science, demonstration sites for the circular economy, and as industrial tourism attractions. So far, the Group has expanded its business into over 80 counties and cities across 17 provinces and municipalities in China; while foraying into overseas markets such as Vietnam, Poland and Germany. It has also explored new business areas, including the construction of sponge cities, river-basin ecological restoration and the harmless treatment of animal carcasses, among others. During the year under review, the Group fully developed the external sales market of its environmental protection equipment, with its self-developed core equipment becoming one of the top picks in the environmental protection industry.

With regards to market expansion, the Group set new records in terms of the number and investment amount of projects secured during the year under review. In total, 44 projects were secured which commanded investment of approximately RMB14.4 billion. Throughout 2016, the Group also continuously pushed forward the growth of its domestic business. Meanwhile, in the spirit of China's "One Belt One Road" initiative, the Group secured Vietnam's Can Tho Waste-to-energy Project ("Can Tho Project") and Poland's Novago sp. z o.o. Waste Treatment Project ("Novago Project"). Can Tho Project is the first overseas household waste-to-energy project that the Group will be invested in, constructed and operated. Thanks to this development, the Group will also be able to introduce its environmental protection technologies and core equipment abroad. The agreement to secure Novago Project originated after Chinese President Xi Jinping's visit to Poland, which saw the two countries strengthen their cooperation on environmental protection and renewable energy areas. The groundbreaking transaction was the largest acquisition by a Chinese company in central and eastern Europe's environmental protection industry, and lays a solid foundation for the Group's future expansion in European markets.

As for technological innovation, years of continuous efforts, commitment to independent R&D and collaborations with institutions and research institutes as part of the development of its envirotech segment led to the Group developing fully self-made grate furnaces, gas purification systems, leachate treatment systems and automated control systems last year. Its first 750-tonne/day grate furnaces and gas purification systems were put into operation at the Wujiang Waste-to-energy Project ("Wujiang Project") in Jiangsu, the gas emission levels of which are above the designed standard, and have filled a void in China's self-developed high-capacity grate furnace manufacturing segment for household waste incineration. In addition, the Group's greentech business, driven by innovation, has witnessed exponential growth and has expanded into various business areas over the course of a few years, involving much hard work. From biomass direct combustion projects to electricity and heat cogeneration projects and from hazardous waste landfill projects to hazardous waste diversified treatment projects, it also initiated the urban-rural integration project model in China's environmental protection industry.

In terms of management, the Group attaches great importance to the establishment of long-term risk prevention mechanisms. During the year under review, it implemented a more professional environmental, safety, health and social responsibility ("ESHS") management system and risk management system, which have promoted the Group's organic growth. By focusing on the ESHS and risk management systems to strengthen administration procedures, and by learning from advanced international managerial experience, the Group managed to construct and operate projects in a standardised and sophisticated manner. The implementation of the two systems, designed to disclose information, has enabled the Group to precisely control and effectively prevent risks, while holistic efforts to promote the two systems have driven the Group's organic growth and brought out the full potential; laying a solid foundation from which the Group can evolve into an international brand from a domestic one, as well as into an excellent enterprise from a common one.

As far as social responsibility is concerned, the Group embarked on its mission and fulfilled its responsibilities as a conscientious environmental protection company. Through the construction and operations of numerous environmental protection projects, it has made notable contributions towards improving the environment and has become a role model for the environmental protection industry. During the year under review, the Group reached its goal of implementing its "Four Steps" environmental information disclosure plan according to schedule and in the spirit of being socially responsible. As part of this effort, it took the lead in disclosing all of its operating waste-to-energy projects' average gas emission levels on an hourly basis, and opening its operating waste-to-energy projects to the public, which boosted the Group's information transparency and disclosure standards, and set a new benchmark for the environmental protection industry. The Group has always adhered to the development philosophy of "Producing Quality Projects and Building a Quality Brand" as a key principle when constructing all of its projects, and is committed to maintaining the stable operations of its various projects which comply with discharge standards. As a result, the Group has received a high level of recognition from society and the market. During the year under review, the

Group received over 69,500 domestic and foreign visitors from all walks of life to its environmental protection projects in total. Seeing is believing, and with that in mind, the visits have helped the Group win the trust of different groups in society, in addition to receiving a great deal of praise and acknowledgement from the international community.

Thirteen years of exploration has paid off with the Group now a leading player in the international waste-to-energy industry both in terms of size and sustainable development that has been globally recognised. During 2016, the Group was included in the Dow Jones Sustainability World Index for its remarkable performance in sustainable development, and was the only mainland Chinese company and Hong Kong listed company to be added to the 2016 index. The Group was also selected as a constituent stock of the Hang Seng Corporate Sustainability Index for the third year running. Such achievements are a testament to the management's commitment to sustainable development with the Group serving as an example for its peers in China and Hong Kong. In addition, China Everbright Water Limited ("Everbright Water"), a non-wholly-owned subsidiary of the Group, was included as a constituent stock of the MSCI China Small Cap Index. These honors demonstrate the extraordinary achievements of the Group in terms of results performance, corporate governance and management quality, and the wide recognition it has received from the investment community and society.

While it has consolidated its own development, the Group has also taken an active role in shaping the standards of the environmental protection industry as a whole and successfully helping to establish relevant industrial standards across the world. During the year, the Group was invited by the United Nations Economic Commission for Europe International PPP (Public-Private Partnership) Centre of Excellence to lead the development of the United Nations' PPP standards on waste-to-energy projects. Meanwhile, it was invited by Columbia University to promote the development of the World Bank's guidelines for waste-to-energy projects, and was involved in the development of over 10 technical guidelines and standards for environmental protection launched by the Ministry of Environmental Protection of the PRC, the Ministry of Housing and Urban-Rural Development of the PRC, the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC. Furthermore, it successfully applied for permission to establish the first national key engineering laboratory for waste incineration with Zhejiang University. All these have not only enabled the Group to improve the overall development of the entire industry in collaboration with its peers, but also enhanced its influence within the industry and internationally; further highlighting the Group's commitment to corporate social responsibility.

The Group has actively participated in and provided support to environmental protection charitable campaigns globally. It has been the lead sponsor of the global environmental protection campaign Earth Hour for 3 consecutive years; it co-organised the Fourth World Environment Day with the China Ecological Civilization Research and Promotion Association and Beijing Forestry University on 5 June 2016, which took place in more than 100 universities in China and the outcome was very successful; and the Group has built up a good reputation within society and among the public for its high level of commitment to its social responsibilities as well as its management philosophy. During the year under review, the Group received awards, including Best Social Responsibility Brand in China, being one of the Top 10 Green Companies in China, an Asian Excellence Recognition Award, a Hong Kong Outstanding Enterprises Award and first place in the Top Ten Influential Solid Waste Treatment Enterprises in China.

In terms of operating results, the Group continued to facilitate the independent operations of its 4 major business segments during the year under review with outstanding performance. The Group's revenue, profit before tax and profit attributable to equity holders of the Company all registered satisfactory growth. The Group's construction service revenue hits a record high, as the management of projects at the preparatory stage was strengthened and construction works were carried out steadily. The Group also saw continuous growth in revenue from operation services as it continued to reduce costs, expand its income streams and enhance efficiency. During the year under review, the Group's consolidated revenue amounted to HK$13,971,204,000, an increase of 64% over HK$8,528,393,000 in 2015. The EBITDA amounted to HK$5,051,261,000, an increase of 35% over HK$3,754,449,000 in 2015. Profit attributable to equity holders of the Company for 2016 was HK$2,784,863,000, 34% more than HK$2,084,888,000 recorded in 2015. Excluding the gain on sale of listed securities of HK$92,711,000 in 2015, profit attributable to equity holders recorded an increase of 40%. Basic earnings per share of 2016 were HK62.12 cents, HK15.62 cents more than HK46.50 cents in 2015. The Group has ready access to financing channels, with an abundance of cash on hand which continues to rise, and it performed well in all financial indicators.

During the year under review, the Group continued to expand its financing channels to boost its capital strength and provide diverse, long-term and stable financial support for it to progress to its next stage of development, and it also actively adjusted its foreign currency exposure in light of the Renminbi's fluctuations. The Group obtained new loan facilities of HK$18 billion in 2016 and also obtained various kinds of financial subsidies from the PRC government totaling RMB230 million. In addition, during the year under review, the Group signed the Strategic Cooperation Agreement to Provide Green Finance Support for Ecological Environment Construction with China Development Bank Corporation ("CDB"). As part of the agreement, CDB will provide a total of RMB20 billion to the Group during the 13th Five-year Plan period. With abundant capital reserves, the Group is well placed financially for its next round of development. As at 31 December 2016, the Group had cash on hand of HK$7,037,597,000, a reasonable gearing level and a healthy financial position.

The Group remains dedicated to enhancing value for its shareholders of the Company (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 HK13.0 cents per share to the Shareholders. The total dividends for the year are to be HK20.5 cents per share (2015: HK18.5 cents per share).

ENVIRONMENTAL PROTECTION BUSINESS

As at 31 December 2016, the Group had secured 213 environmental protection projects with a total investment of approximately RMB53.212 billion and completed the construction of 130 projects, which commanded around RMB25.681 billion in investment. A total 39 projects were under construction which commanded an investment of about RMB14.462 billion. The projects in the preparatory stage commanded a total investment of approximately RMB13.069 billion.

In 2016, the Group carried out construction works of 62 projects commanding a total investment of approximately RMB19.378 billion. Among which, 23 projects completed construction and commenced operations during the year under review, including 5 waste-to-energy projects, 1 food waste treatment project, 7 waste water treatment projects (4 of them completed construction but yet to commence commercial operation), 1 reusable water project (project completed construction but yet to commence commercial operation), 4 hazardous waste treatment projects and 5 biomass projects (completed construction and began to generate revenue), which command a total investment of approximately RMB4.916 billion. Meanwhile, as at 31 December 2016, 39 projects were under construction including 17 waste-to-energy projects, 1 food waste treatment project, 5 waste water treatment projects, 1 sponge city construction project, 1 river training project, 2 hazardous waste treatment projects and 12 biomass projects, commanding a total investment of approximately RMB14.462 billion.

During the year under review, the environmental energy, environmental water and greentech projects generated a total revenue of HK$13,425,088,000, of which construction service revenue increased by 83% to HK$8,987,199,000, operation service revenue increased by 31% to HK$2,854,444,000, and finance income increased by 22% to HK$1,583,445,000 as compared with 2015. The proportions of the revenue are as follows: construction service revenue 67%, operation service revenue 21% and finance income 12%.

Major financial data from the environmental energy, environmental water and greentech projects in 2016 is summarised in the table below:

	2016				2015 (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 services	**5,779,429**	**1,133,784**	**2,073,986**	**8,987,199**	3,715,228	591,890	608,731	4,915,849
- Operation services	**1,117,978**	**821,478**	**914,988**	**2,854,444**	880,281	755,365	549,260	2,184,906
- Finance income	**1,007,704**	**538,775**	**36,966**	**1,583,445**	806,087	467,895	18,690	1,292,672
	7,905,111	**2,494,037**	**3,025,940**	**13,425,088**	5,401,596	1,815,150	1,176,681	8,393,427
EBITDA	**3,299,687**	**843,973**	**1,020,204**	**5,163,864**	2,670,199	795,955	436,460	3,902,614

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 set new records in all of its energy conservation and emission reduction indicators. During the year under review, the Group processed 9,007,000 tonnes of household waste and 98,000 tonnes of hazardous waste, 728,000 tonnes of agricultural waste and generated 3,654,252,000 kWh of green electricity. This output can support the annual electricity consumption for 3,045,000 households, and is equivalent to saving 1,462,000 tonnes of standard coal and can reduce carbon dioxide (CO_2) emissions by 3,864,000 tonnes. Meanwhile, the Group treated 1,148,279,000 m^3 of waste water, 1,724,000 m^3 of leachate produced from waste-to-energy plants and reduced COD emissions by 293,000 tonnes. Since the Group's first environmental protection project commenced operation in 2005, it has processed an accumulated 37,167,000 tonnes of household waste and 451,000 tonnes of hazardous waste, 2,450,000 tonnes of agricultural waste and generated 13,553,342,000 kWh of green electricity, which can fulfill the annual electricity consumption for 11,294,000 households and is equivalent to saving 5,421,000 tonnes of standard coal, reducing CO_2 emissions by 15,459,000 tonnes and preventing 1,761,934,000 trees from being cut down. The Group has treated an accumulated 5,811,828,000 m^3 of waste water, 6,890,000 m^3 of leachate produced from waste-to-energy plants and reduced COD emissions by 2,028,000 tonnes.

I. ENVIROTECH

An innovative company needs to have the foresight to look to the future rather than only being satisfied with its current achievements, and it must constantly innovate and be motivated rather than constricting itself to the rules. The Group, which has leveraged innovation and reform to fuel its current phase of development, always seeks to enhance its core competencies through technological innovation as part of its transformation into a modern enterprise.

In early 2016, the Group recruited talent with expertise in technology from home and abroad as part of a restructuring of the technology management team, which will strengthen the Group's capacity for technology-related R&D and innovation. This has helped to lay a good foundation for the establishment of the Group's technological R&D platform, which will spur the growth of other business segments. During the year under review, the Group acquired Jiangsu Design & Research Institute and the Nanjing Science and Technology Building, established Everbright Envirotech (China) Limited, entered a comprehensive cooperation agreement with Zhejiang University, set up the Environmental Energy Research Center and actively engaged in terms of international technological exchange and cooperation. Through organizational restructuring, the envirotech business now comprises 3 research institutes in the fields of incineration technology, environmental technology and electrical control technology, as well as an information control center and a technical standards analysis and testing center. This, as well as its "R&D - Design and Consultancy - Equipment Manufacturing" model will be a springboard for the Group's next round of development through technological innovation.

During the year under review, the acquisition of Jiangsu Design & Research Institute allowed the Group to offer turnkey design solutions; leveraging these light assets will help to promote the Group's development. The Jiangsu Design & Research Institute not only has compiled feasibility reports and construction drawing designs for internal projects, but also has secured a number of external engineering consultancy contracts with a total contract value of approximately RMB12.60 million during the year.

In terms of equipment manufacturing, in accordance with the pace of construction for the Group's projects, the Group completed the production and commissioning of 18 sets of incinerators, 15 sets of gas purification systems and 12 sets of leachate treatment systems during the year. Meanwhile, the Group has fully tapped the external sales market and secured contracts for the external sales of 34 entire sets of equipment, the total contract value of which amounted to approximately RMB581 million. The opportunities presented by China's "One Belt One Road" initiative and favorable policies for high-end equipment manufacturing have successfully supported the Group's move into the first-tier of the environmental protection equipment manufacturing industry with its self-developed core equipment, helping the Group to raise the profile and reputation of the "Made by Everbright International" brand.

In terms of R&D and collaboration with higher education institutions and research institutes, the Group has adopted a "stepping out and bringing in" approach to enhance exchange and cooperation with entities worldwide, which will provide the Group with a global perspective and improve its technology. During the year under review, the Group successfully pushed forward with major R&D projects and was granted 37 patents, of which 10 were invention patents and 27 were utility invention patents. The Group will continue to step up efforts to advance its R&D capabilities to achieve business growth, support its expansion and develop sustainably.

II. ENVIRONMENTAL ENERGY

A. Environmental Energy

Environmental energy maintained its fast-paced growth momentum as well as its leading position in the industry. With its strong sense of social responsibility, the business made a leap forward in terms of information transparency and disclosure standards, which have set new benchmarks for the environmental protection industry.

As at 31 December 2016, the Group had 60 waste-to-energy projects, 2 methane-to-energy projects, 1 sludge treatment and disposal project, and 2 food waste treatment projects, with a total investment of approximately RMB26.933 billion. These facilities are designed with an annual household waste processing capacity of approximately 18,596,750 tonnes, which can generate annual on-grid electricity of approximately 5,788,110,000 kWh. The annual sludge treatment capacity is approximately 18,250 tonnes, while the annual food waste treatment capacity is approximately 73,000 tonnes.

In 2016, the Group secured 14 waste-to-energy projects, which commanded a total investment of approximately RMB6.445 billion, with an increase in designed daily household waste processing capacity of 13,050 tonnes, boosting the total daily waste processing capacity to 50,950 tonnes, which is the highest in the industry. New projects at home included the Jiangsu Jiangyin Waste-to-energy Project ("Jiangyin Project") Phase III (1,000 tonnes/day), Shandong Linshu Waste-to-energy Project (500 tonnes/day), Shandong Laiyang Waste-to-energy Project (600 tonnes/day), Hunan Xiangxiang Waste-to-energy Project (500 tonnes/day), Shandong Zouping Waste-to-energy Project (700 tonnes/day), Shandong Fei County Waste-to-energy Project (600 tonnes/day), Shandong Weifang Waste-to-energy Project ("Weifang Project") Phase II (500 tonnes/day), Shandong Jinan Waste-to-energy Plant Expansion Project (750 tonnes/day), Henan Taikang Waste-to-energy Project (700 tonnes/day), Guangdong Boluo Waste-to-energy Project Phase II (350 tonnes/day), Jiangsu Wuxi Xidong Waste-to-energy Project Entrusted Operation (2,000 tonnes/day), Jiangsu Changzhou Xinbei Waste-to-energy Project Phase II (700 tonnes/day), and the Dismantling and Redevelopment Project of the Jiangsu Suzhou Waste-to-energy Project ("Suzhou Project") (3,750 tonnes/day). The Group also won the Can Tho Project (400 tonnes/day), its first overseas waste-to-energy project.

The positive results of market expansion have been underpinned by the stable operations and compliance with discharge standards of the Group's operating projects. In light of the increasing popularity of the Not-in-My-Back-Yard (NIMBY) phenomenon, the Group well recognises the importance of increasing the transparency of its project operations, respecting the public's right to know and proactively welcoming public supervision to increase the general public's understanding of the waste-to-energy industry as well as resolve NIMBY issues. At the same time, the Group also looks to continue strengthening its operational management standards by persistently putting pressure on itself. In 2015, the Group became the first company in the industry to disclose emission standards and the environmental management information of its operating waste-to-energy projects as part of its "Four Steps" disclosure plan. The Group carried out the plan as scheduled and successfully achieved its goal of disclosing environmental impact assessments and publishing the average levels of its operating waste-to-energy projects' emission standards on a monthly, daily and hourly basis in less than one and a half years. This set an example and new benchmark for the industry in terms of information disclosure.

Regarding operation management, all environmental protection projects of the Group comply with the industry's highest construction and operations standards. The gas emissions of the Group's waste-to-energy projects fully comply with the Euro 2010 Standard, while leachate after treatment is in line with the national grade 1 emission standard. All project companies, through intercompany competition, have optimised maintenance plans and the management of energy-intensive leachate treatment, induced draft fans, circulating pumps and feed water pumps. The result of this has been a continuous increase in aggregate average electricity generation per tonne of waste and a decline in the comprehensive auxiliary power consumption rate. Such organic growth enables the Group's projects to surpass all their operation standard targets, and offers the environmental energy business enormous room to grow.

In terms of project construction, the Group had 5 waste-to-energy projects and 1 food waste treatment project that completed construction and commenced operations during the year, including the Hainan Sanya Waste-to-energy Project ("Sanya Project") Phase II, Hunan Yiyang Waste-to-energy Project ("Yiyang Project"), Wujiang Project, Shandong Tengzhou Waste-to-energy Project Phase I, Jiangsu Pei County Waste-to-energy Project Phase I, and Shandong Laiwu Food Waste Treatment Project. Yiyang Project is the Group's first environmental protection project to commence operations in Hunan Province, while Sanya Project Phase II was able to commence operations 104 days ahead of schedule, simultaneously ensuring the safety of construction on the premises and the maintenance of Sanya Project Phase I's operations; establishing itself as another role model in terms of the duration of construction. A total of 15 projects, comprising 14 waste-to-energy projects and 1 food waste treatment project, commenced construction during the year, namely the Zhejiang Hangzhou Waste-to-energy Project, Anhui Ma'anshan Waste-to-energy Project, Shandong Laiwu Waste-to-energy Project, Jiangyin Project Phase III, Nanjing Gaochun Waste-to-energy Project, Shandong Xintai Waste-to-energy Project, Jiangsu Suqian Waste-to-energy Project Phase II, Henan Lankao Waste-to-energy Project, Shandong Ju County Waste-to-energy

Project, Hunan Yongzhou Waste-to-energy Project, Shandong Zoucheng Waste-to-energy Project, Henan Xinzheng Waste-to-energy Project, Guangdong Huidong Waste-to-energy Project, Weifang Project Phase II and Jiangsu Suqian Food Waste Treatment Project. These projects, together with Jiangsu Nanjing Waste-to-energy Project ("Nanjing Project") Phase II and Shandong Pingdu Waste-to-energy Project, which were under construction during the year, are expected to complete construction and commence operations between 2017 and 2018.

To ensure "high standards and first-class quality" of investment, construction, operation and management of all its projects, 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. The 750-tonne/day grate furnace installed in Wujiang Project is China's first homebuilt large-scale grate furnace and has filled the void in the manufacturing of large-scale household waste incineration equipment in the country, which is also the first dismantling and redevelopment project in waste-to-energy industry in China.

The Group strives to integrate its projects with the surrounding environment and focus on building hubs for environmental protection education, popularisation of environmental science, demonstration sites for the circular economy, and industrial tourism attractions. During the year under review, Suzhou Project was named National Environmental Science Hub; Weifang Project was awarded "National Outstanding Construction Award 2016-2017"; Nanjing Project and Zhejiang Ningbo Waste-to-energy Project received the provincial level AAA grade recognitions in terms of harmless treatment of household waste; Jiangsu Pizhou Waste-to-energy Project was named the provincial environmental science education hub and industrial tourism site; Shandong Shouguang Waste-to-energy Project was named the provincial industrial tourist attraction; and Sanya Project was named the provincial environmental science education hub. These honors not only reflect that the Group has earned recognition from different stakeholders in the society, but also motivate the Group toward excellence.

During the year under review, the Group's environmental energy projects processed a total of 8,933,000 tonnes household waste and generated a total on-grid electricity of 2,473,110,000 kWh, an increase of 29% and 31% respectively as compared with 2015. Environmental energy projects contributed an EBITDA of HK$3,299,687,000, an increase of 24% as compared with the previous year. Environmental energy projects contributed the net profit attributable to the Group of HK$2,083,650,000, an increase of 25% as compared with the previous year. The increase in profit was mainly due to the recognition of construction service revenue and costs saved on various construction projects, as well as an increase in the operation service revenue due to continued growth in operating projects' processing volumes during the year under review.

Major operating and financial data of the environmental energy projects in 2016 is summarised in the table below:

	2016	2015 (restated)
Environmental energy projects		
Waste processing volume (tonne)	**8,933,000**	6,928,000
On-grid electricity (MWh)	**2,473,110**	1,883,669
EBITDA (HK$'000)	**3,299,687**	2,670,199

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 optimising available land resources for planning of various kind of environmental protection projects. The goal of this exercise is to make the comprehensive recycling of solid waste as efficient as possible, enhance energy conservation and reduce emissions efficiently, so as to make it easier for the governments and enterprises to implement a centralised management system and ultimately achieve Nil Discharge in pollution. The parks are established as modern environmental protection industrial parks and educational hubs for environmental protection.

As at 31 December 2016, the Group had a total of 11 environmental protection industrial parks situated in Suzhou, Changzhou, Suqian, Zhenjiang New District, Yixing, Lianyungang Xuwei New District, Nanjing and Xinyi of Jiangsu Province, Weifang of Shandong Province, Ganzhou of Jiangxi Province and Lankao County of Henan Province.

III. ENVIRONMENTAL WATER

As at 31 December 2016, Everbright Water, of which the Group owns 74.72% and is listed on the mainboard of the Singapore Exchange Securities Trading Limited, has 70 waste water treatment projects, 5 reusable water projects, 1 sponge city construction project, 1 river training project, 2 waste water source heat pump projects and 1 surface water BT Project, commanding a total investment of approximately RMB10.990 billion. The projects are designed to have an annual waste water treatment capacity of approximately 1,538,475,000 m^3, a total annual reusable water volume of 29,784,000 m^3, and are built to offer heating and cooling services to an area of 312,000 m^2 via the waste water source heat pump projects.

In 2016, after a series of acquisitions and organic growth throughout the year, Everbright Water further enhanced its market development model, which is based on the locational advantages of its existing projects, and established 4 regional management centers in the east of Shandong, west of Shandong, Jiangsu and Liaoning. The implementation of the regional management model aims to improve the integration of resources and facilitate internal synergy in every region. Everbright Water has also expanded into new business sectors, including river-basin ecological restoration projects and sponge city construction projects among others, to promote the steady growth of business. Furthermore, the integration after acquisition was progressed as scheduled, which raised the discharge and treatment standards of the acquired projects to higher levels.

During the year under review, Everbright Water submitted an application to the Shanghai Stock Exchange and the China Securities Regulatory Commission ("CSRC") for a proposed issuance of RMB-denominated corporate bonds of up to RMB2.5 billion (subject to the CSRC's approval) in a single tranche or multiple tranches in the PRC to support its sustainable development. Upon the grant of regulator's approvals and the completion of the relevant registration process, Everbright Water expects to gain more financial support and to lay a solid foundation for its future business plans.

In terms of market development, Everbright Water secured 12 new projects in total, which increased the Group's daily waste water treatment capacity by 485,000 m^3 and commanded a total investment of approximately RMB2.465 billion; all of which helped to gradually increase Everbright Water's market share in the waste water treatment market. Newly secured projects include the Shandong Zhangqiu Waste Water Treatment Project (Plant 1) (50,000 m^3/day), Shandong Zhangqiu Waste Water Treatment Project (Plant 2) (40,000 m^3/day), Shandong Qingdao Waste Water Treatment Project (Maidao Plant) Upgrading ("Maidao Upgrading Project"), Jiangsu Xinyi City Waste Water Treatment Project ("Xinyi City Project") (70,000 m^3/day) and Upgrading Project, Jiangsu Xinyi Economic Development Zone Waste Water Treatment Project ("Xinyi Economic Development Zone Project") Phase I (10,000 m^3/day) and Expansion Project (10,000 m^3/day), Shandong Ju County Shudong Waste Water Treatment Project ("Shudong Project") (20,000 m^3/day), Jiangsu Nanjing Pukou Industrial Waste Water Treatment Project ("Pukou Project") Phase I (10,000 m^3/day) and Henan Sanmenxia Waste Water Treatment Project Phase I Upgrading ("Sanmenxia Project

Phase I Upgrading"). Furthermore, Everbright Water secured new projects in new business sectors, including the Jiangsu Zhenjiang Sponge City PPP Project ("Zhenjiang Sponge City Project"), which involves a series of ecological restoration projects and a waste water treatment project that has a treatment capacity of 275,000 m^3/day; and Jiangsu Nanjing Municipal Water PPP Project ("Nanjing Municipal Water Project"), which involves a number of river training projects, as well as project operation and maintenance. The Zhenjiang Sponge City Project is one of the 16 sponge city pilot projects which will receive financial support from the central government of the PRC, as jointly announced by the Ministry of Finance, the Ministry of Housing and Urban-Rural Development, and the Ministry of Water Resources of the PRC. The launch of the Nanjing Municipal Water Project, Everbright Water's first river training project, signaled its further expansion into new business areas.

In terms of project construction, during the year under review, a total of 7 waste water treatment projects and 1 reusable water project completed construction, namely the Shandong Jinan Waste Water Treatment Project (Plant 1) Expansion, Shandong Jinan Xike Waste Water Treatment Project (Plant 4) Phase II, Jiangsu Wuzhong Chengnan Waste Water Treatment Project Phase II and Upgrading, which have already commenced operations; Liaoning Dalian Liangjiadian Waste Water Treatment Project Phase I which completed construction; Beijing Daxing Tiantanghe Waste Water Treatment Project Phase II and Upgrading, Liaoning Pulandian Waste Water Treatment Project Phase I Expansion, Sanmenxia Project Phase I Upgrading, which completed construction and are now running in compliance with discharge standard; also, Jiangsu Nanjing Pukou Reusable Water Project Phase I, which completed construction and is now undergoing a trial run. As at 31 December 2016, there were 7 projects under construction, including Xinyi City Project Upgrading, Xinyi Economic Development Zone Project Expansion, Maidao Upgrading Project, Shudong Project, Pukou Project Phase I, Zhenjiang Sponge City Project and Nanjing Municipal Water Project.

During the year under review, the Group's environmental water projects treated waste water of 1,148,279,000 m^3, an increase of 28% as compared with 2015. The environmental water projects contributed an EBITDA of HK$843,973,000, an increase of 6% as compared with 2015. The environmental water projects contributed the net profit attributable to the Group of HK$271,363,000, a decrease of 15% as compared with 2015. The decrease was partly due to an exchange loss of HK$48,710,000 arising from borrowings pegged to the US dollar as the Renminbi depreciated against the US dollar and such borrowings have been fully settled in 2016. Moreover, there were additional tax expenses (including corporate income tax and deferred tax) resulted from changes in the tax calculations of a project pursuant to the requirements of the local tax bureau.

Major operating and financial data of the environmental water projects in 2016 is summarised in the table below:

	2016	2015
Environmental water projects		
Waste water treatment volume ('000 m^3)	**1,148,279**	899,163
EBITDA (HK$'000)	**843,973**	795,955

IV. GREENTECH

Greentech, driven by business innovation, witnessed exponential growth and efficiently completed all the preparation work for its spin-off listing. This has laid a solid foundation from which it can further expand and grow in the market.

As at 31 December 2016, the Group had a total of 63 greentech projects, including 32 biomass projects, 22 hazardous waste treatment projects, 7 solar energy projects and 2 wind power projects, commanding a total investment of approximately RMB13.956 billion. The aggregate annual designed processing capacity of agricultural waste was approximately 6,199,800 tonnes; annual processing capacity of household waste was approximately 1,387,000 tonnes; annual processing capacity of hazardous waste was approximately 439,000 tonnes; the annual on-grid electricity generation was approximately 4,677,806,000 kWh; and the annual heat supply was approximately 1,613,700 tonnes.

Greentech is committed to exploring and achieving breakthroughs across new business areas as it pursues organic growth and opens up room for its development; all of which has enabled it to stand out and swiftly capture considerable market share. The Group initiated a unique business model of integrated biomass and waste-to-energy projects, and is the only company to employ such integrated business model in China so far. This business model is expected to not only maximise environmental service output but also lower the overall project costs, thereby increasing the overall investment returns of the relevant projects. As at the end of 2016, the Group ranked fourth in terms of aggregate biomass power generation designed capacity and third in terms of aggregate hazardous waste treatment designed capacity in China for projects in operation, under construction or at the preparatory stage, which has been achieved while maintaining a high level of operational efficiency and delivering economies of scale.

The Group secured 17 new projects in 2016, reaching another record high, including 9 biomass projects and 8 hazardous waste treatment projects, commanding a total investment of approximately RMB4.569 billion. The increased agricultural waste treatment capacity was approximately 2,230,000 tonnes per annum, the increased household waste treatment capacity was approximately 146,000 tonnes per annum and the increased hazardous waste processing capacity was approximately 228,000 tonnes per annum. These projects include: Henan Puyang Biomass Electricity and Heat Cogeneration Project, Tianjin Ji County Biomass Direct Combustion Project, Hubei Shayang Biomass Direct Combustion Project, Sichuan Zhongjiang Integrated Biomass and Waste-to-energy Project (Biomass), Henan Xiayi Integrated Biomass and Waste-to-Energy Projects (Biomass), Henan Xiayi Integrated Biomass and Waste-to-Energy Projects (Waste-to-Energy), Anhui Yu'an Biomass Electricity and Heat Cogeneration Project and Anhui Yeji Biomass Electricity and Heat Cogeneration Project, Jiangxi Guixi Biomass Electricity and Heat Cogeneration Project, Anhui Dingyuan Salt-based Chemical Industrial Park Hazardous Waste Integrated Treatment Project, Jiangsu Nanjing Jiangnan Hazardous Waste Treatment Project, Jiangsu Kunshan Hazardous Waste Incineration Project, Jiangsu Xinyi Hazardous Waste Landfill Project, Shandong Linshu Hazardous Waste Treatment Projects, Shandong Zibo Hazardous Waste Incineration Project (Phase II), Sichuan Mianzhu Hazardous Waste Incineration Project and Jiangsu Xinyi Animal Carcass Harmless Treatment Project.

During the year under review, the Group set a new record for having 23 greentech projects under construction. Among them, 9 projects completed construction within the year, including 4 hazardous waste treatment projects that already commenced commercial operation, namely Jiangsu Guanyun Hazardous Waste Landfill Project, Shandong Zibo Hazardous Waste Incineration Project Phase I, Jiangsu Binhai Hazardous Waste Landfill Project and Jiangsu Xinyi Hazardous Waste Incineration Project; and 5 biomass projects completed construction, among which, Jiangsu Sucheng Biomass Heat Supply Project has already commenced commercial operation, Jiangsu Xuyi Biomass Electricity and Heat Cogeneration Project, Anhui Huaiyuan Biomass Direct Combustion Project, Anhui Dingyuan Biomass Direct Combustion Project and Anhui Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy) completed construction and began to generate revenue. 14 projects commenced construction during the year, including 2 hazardous waste treatment projects and 12 biomass projects. All other projects under construction are progressing well and are expected to complete construction and commence operations between 2017 and 2018, providing an impetus for the greentech business's rapid growth.

During the year under review, the Group's greentech projects provided a total on-grid electricity of 891,407,000 kWh, an increase of 74% as compared with 2015. The greentech projects contributed an EBITDA of HK$1,020,204,000, an increase of 134% as compared with 2015. The greentech projects contributed the net profit attributable to the Group of HK$660,522,000, an increase of 145% as compared with 2015. The increase in profit was mainly due to the significant increase in both the construction service revenue and the operation service revenue as compared with 2015.

Major operating and financial data of the greentech projects in 2016 is summarised in the table below:

	2016	2015 (restated)
Greentech projects		
Waste processing volume (tonnes)	**74,000**	–
Biomass raw materials processing volume (tonnes)	**728,000**	520,000
Hazardous waste processing volume (tonnes)	**98,000**	52,000
On-grid electricity (MWh)	**891,407**	511,382
EBITDA (HK$'000)	**1,020,204**	436,460

BUSINESS PROSPECTS

To cope with a deteriorating ecological environment, an intensifying energy crisis and the increasingly complex issue of climate change, countries around the world have introduced green policies which aim to facilitate cooperation on a global scale and have kept the momentum of green development around the world going. The enforcement of the Paris Agreement on Climate Change on 4 November 2016 has reshaped the global landscape in terms of ecological restoration, and offers opportunities and presents challenges for the Group as it seeks to develop from an ordinary company into an excellent company.

In China, the opening year of the 13th Five-year Plan has just come to a close, with 2016 seeing the introduction of a raft of policies relating to environmental protection and alternative energy, which have undoubtedly outlined a clearer development blueprint for the environmental protection industry that calls for more urgent action. Looking forward to 2017, the Group will remain committed to its core value of "An enterprise is not only the Creator of Wealth but also the Safeguard of Environmental and Social Responsibility" and will continue to enthusiastically align itself with China's overall development strategies to advance the progress of the "three strategies" while at the same time focusing on driving the development of its 6 major business segments. The 3 national strategies refer to the "One Belt One Road" initiative, the Beijing-Tianjin-Hebei region coordinated development strategy and the Yangtze River Economic Belt development strategy; while the Group's 6 major business segments cover envirotech, environmental energy, environmental water, greentech, equipment manufacturing and international business. At the same time, the Group will strive to further enhance its management and operation standards as well as strengthen its awareness and measures for risk prevention, which will facilitate the steady growth for all of its environmental protection businesses in an ever-changing market environment. Leveraging on its comprehensive strengths, including self-developed technologies and equipment, advanced management and harmonious relations with local communities, the Group will make use of its talent and technologies to explore new business opportunities through multiple investment models, channels and methods. This will provide the impetus for the Group's next round of development in both the domestic and overseas markets.

"Technology to drive Development" will be the major theme running through the Group's innovations. During its new round of development, the Group will particularly focus on in-house research and development, technology imports, collaborations with institutions and research institutes, etc., in a bid to provide a strong driving force for the future growth of the Group's various business segments. For the environmental energy business, the Group will seek to further consolidate its leading position in the domestic market by building on its strong advantages in terms of technology, market potential and experience, while exploring more development opportunities in the overseas market. As the government has rolled out a number of water restoration policies, the Group will also seize the right opportunities to expand its technological capabilities and business reach, so as to drive further development in its environmental water business. In terms of its greentech business, the Group will continue to innovate and pursue organic growth in order to achieve rapid business growth. It will also look to carry forward its separate listing in a steady manner.

Going forward, China and the entire world are expected to place an increasingly greater emphasis on and input more resources into environmental protection. The Group will continue to proactively shoulder its responsibilities as the leading enterprise in the environmental protection industry. With an aim of achieving sustainable development, the Group will continue to build and strengthen its core competitiveness. In order to realise long-term growth, the Group will seek to uncover its full internal potential and strength, and keep abreast of the opportunities in the industry and market. The Group will also continue to innovate in terms of its business models and strengthen its risk prevention awareness and measures, as well as take a commercial and market-oriented approach to management and operation. It takes these steps as it strives to help China and the world solve environmental issues, improve the quality of urban environments, and ultimately make a greater contribution to environmental restoration.

Thanks to the Chinese government's favorable policies, which have created immense development potential for the environmental protection industry, and with the backing of the strong capabilities of its parent company, China Everbright Group Ltd., as well as the Group's comprehensive strength and resources, the management of the Company believes the Group will be able to reach new heights in 2017 as it sets sail into a new round of development.

FINANCIAL POSITION

As at 31 December 2016, the Group's total assets approximately amounted to HK$49,531,728,000 with net assets amounting to HK$19,845,208,000. Net asset value per share attributable to equity holders of the Company was HK$3.879 per share, representing an increase of 1% as compared to HK$3.835 per share as at the end of 2015. As at 31 December 2016, gearing ratio (total liabilities over total assets) of the Group was 60%, an increase of 8 percentage points as compared to that of 52% as at the end of 2015.

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 2016, the Group had cash and bank balances of HK$7,037,597,000, representing an increase of HK$364,185,000 as compared to HK$6,673,412,000 at the end of 2015. Most of the Group's cash, representing approximately 89%, was denominated in Hong Kong dollars and Renminbi.

BORROWING

The Group is dedicated to improving banking facilities to reserve funding to support environmental protection business development. As at 31 December 2016, the Group had outstanding borrowings of HK$21,615,649,000, representing an increase of HK$5,794,983,000 as compared to HK$15,820,666,000 at the end of 2015. The borrowings included secured interest-bearing borrowings of HK$10,487,107,000 and unsecured interest-bearing borrowings of HK$11,128,542,000. The borrowings are mainly denominated in Renminbi, representing approximately 46% of the total, and the remainder is mainly denominated in US dollars, Hong Kong dollars and Euro. Most of the borrowings are at floating rates. As at 31 December 2016, the Group had banking facilities of HK$33,514,000,000 of which HK$11,938,957,000 have not been utilised. The banking facilities are of one to ten years terms.

FOREIGN EXCHANGE RISKS

The Company's financial statements are denominated in Hong Kong dollars, which is the functional currency of the Company. The Group's investments made outside Hong Kong (including mainland China) can incur foreign exchange risks. The Group's operations are predominantly based in mainland China, which makes up over 90% of its total investments and revenue. The Group's assets, borrowings and major transactions are mainly denominated in Renminbi, and as such, it forms a natural hedging effect. With this in mind, the Group also pursues an optimal allocation of borrowings in different currencies while setting appropriate levels of borrowing in non-base currencies, and adoption of proper financial instruments to closely manage foreign exchange risk.

PLEDGE OF ASSETS

Certain banking facilities of the Group were secured by revenue and receivables in connection with the Group's service concession arrangements, bank deposits, mortgages over property, plant and equipment and prepaid land lease payments and shares of certain subsidiaries of the Company. As at 31 December 2016, the aggregate net book value of assets and equity interests in subsidiaries pledged amounted to approximately HK$22,795,276,000.

COMMITMENTS

As at 31 December 2016, the Group had purchase commitments of HK$4,393,106,000 outstanding in connection to construction contracts.

CONTINGENT LIABILITIES

As at 31 December 2016, the Company issued financial guarantees to 6 subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2016 for the provision of the guarantees was HK$2,344,072,000.

BUSINESS ACQUISITION

During the year under review, the Group acquired 97.12% equity interests of Novago Project at a total consideration of approximately Euro119,458,000 or Polish zloty 525,087,000 (equivalent to approximately HK$1,022,102,000). The principal activities of the Novago Project involve the provision of solid waste treatment service in Poland. Such acquisition was completed in August 2016.

INTERNAL MANAGEMENT

Strengthening management and risk control have always been important duties during the business development of a corporation. The Group adheres diligently to the management principle of "People-oriented, Pragmatism, Creativity and Systematic Management" and is committed to building a comprehensive risk management culture. With the efforts of the Risk Management Advisory Committee for investment projects, the Engineering and Technology Management Committee and the Budget Approval Management Committee, the Group has formulated strict regulations on investment in, and the construction and operation of environmental protection projects.

During the year under review, the Group held management committee meetings on a monthly basis to review all projects under construction and operation. In addition, the Group's Internal Audit Department conducted internal audits and ensured strict enforcement of various management systems to enhance internal management standard. Since the beginning of this year, the Group has been focused on carrying out projects which are currently under construction or at the preparatory stage, and went through formalities to ensure that all projects meet their legal obligations during construction and operation. During the year under review, the Group issued "Management Rules for Projects in the Preparatory Stage" and "Management Rules for Projects under Construction" so that new projects can make reference to appropriate management guidelines and move forward the projects in an orderly manner. Through standardized management practices, the Group intends to improve its own overall operation procedures and management.

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 encouraged the project companies to compete with each other on conserving, enhancing efficiency, saving energy and controlling costs. The comprehensive auxiliary power consumption rates of waste-to-energy projects, biomass projects and solar energy projects, as well as the unit operating cost of waste water treatment projects, continued to decline, contributing to an improvement in project efficiency.

HUMAN RESOURCES

The Group highly values its human resources and puts great emphasis on staff training. It believes that realising the full potential of its employees is crucial to its long term growth. The Group continued 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 ESHS, risk management and financial management to enhance the overall quality of its staff. To facilitate the integration of newly recruited staff, the Group held 4 execution trainings for more than 1,100 participants. A total of 36 managers and senior technical staff successfully completed the Tsinghua University CEO Course (the 5th session). To ensure that employees' development meets the objectives of the Group's sustainable development, the Group enriched its management level talent pool for its 4 core businesses. Through competition and selection processes, staff members were highly motivated, and the sessions allowed those who have passion and vision to grow and unleash their potential in the right job positions.

As at 31 December 2016, the Group had approximately 5,700 employees. 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 a provident fund scheme to employees in Hong Kong.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year under review, the Group fully implemented its risk management system, as well as identified and assessed risks faced by the Group. Due to changes in the external environment and the characteristics of our business strategies and operations, key risks that the Group faced remained the same as those in 2015, including talent management, environmental and social responsibilities, peer competition, new business investment and development risk, technology and innovation, and changes in environmental protection policies and business models. Thanks to the implementation of effective management measures, the severity level and impact of these risks have been receding.

Talent management risk mainly refers to the risk of failure in recruiting, retaining and developing sufficient talents for continuous business development because of the Group's rapid business development and huge demand for talents while at the same time facing severe competition over environmental protection specialists from the industry. During the year, the Group had completed enhancements over its remuneration system and remuneration structure so as to ensure that staff remuneration can align reasonably with market standard and maintain its competitiveness. The management structure and staff composition of the Group had been enhanced and the talent pool of senior management had been strengthened. Systematic staff training has been further enhanced to increase the overall effectiveness of training.

Environmental and social responsibility risk mainly refers to the risk of negative impacts over the construction and operation of projects, as a result of exceeding environmental emission limit, safety incidents and materially false or misleading articles from media. The Group had continued to formally disclose the environmental emission data of all waste-to-energy projects during the year under review and be proactively subject to the supervision of the general public. Through the organisation of on-site project visits and various environmental protection promotion activities, and the increase in the public understanding on the technical operation of the projects, it can remove general public's queries and promote the Group's enthusiasm over the execution of environmental and social responsibility. The establishment of ESHS system and risk management system, as well as formulating the emergency incidents resolutions could help to effectively manage relevant risks.

Competition risk refers to the risk of the Group's capability in business development and the returns from investment projects being affected, as a result of the severe competition from competitors throughout the industry. The Group had, through continuous enhancement in construction design, upgrade of equipment efficiency, enhancement in project management standard, improved the overall quality of projects and reduced the construction and operation costs. Maintaining good cooperation relationship with government facilitated us to obtain projects with better terms and conditions, and thus increase profitability. Participating in the formulation of waste-to-energy industry standards, so as to raise the industry entrance barrier and build a constructive competitive environment.

New business investment and development risk mainly refers to the risk of failure in developing new business types and locations which affects the Group's profitability. Technology and innovation risk mainly refers to the risk of failure in satisfying business development needs through research and development and the introduction of new technology, which affects the Group's profitability. The Group had set up the International Business Department during the year under review and introduced new talents in order to strengthen the development of international businesses. The Group had also set up a specialised group for international investment projects in order to thoroughly analyse the relevant investment risks, and develop risk mitigation measures and follow up works. The previously introduced overseas technologies and the products from research and development had been gradually applied on projects. The annual research and development plan had fully covered the Group's major areas of project development including biomass, urban-rural integration model, hazardous waste treatment, etc.

Change of environmental protection policy and business model risks mean the risks of failure in responding timely and effectively to the changes in environmental protection policies and business models respectively, which bring negative impact to the Group's business. The Group has, from time to time, highly concerned with those changes in external factors such as environmental protection policies and business models, and the relevant impacts to the Group's business development. Regular reports and discussions have been organised for those relevant employees to implement the mitigation actions, enhance the internal control and arrange suitable trainings, so as to timely and effectively respond to the external changes and avoid the risks involved.

ENVIRONMENTAL AND SOCIAL MANAGEMENT

The Group established an environmental and social management system following Asian Development Bank's Safeguard Policy Statement and other internationally recognised practices, which defines concrete procedures to ensure the environmental and social impacts of our activities are within the statutory limits. In 2016, the Group fully implemented the ESHS system. All the Group's subsidiaries set up standardized operating procedures and checklists for on-site work, which will more effectively align and strengthen system requirements and operational practices, as well as improve the whole environmental and social management process.

The operating and environmental performance of the Group's projects strictly adheres to relevant standards and the requirements of their respective Environmental Impact Assessment Report. The Group also take into consideration the expectations of the neighboring communities. The key regulations and standards that are highly relevant to the Group's business include the Environmental Protection Law of the PRC, Production Safety Law of the PRC, Labor Law of the PRC; Standard for Pollution Control on the Municipal Solid Waste Incineration (GB18485-2014) and Directive 2010/75/EU and its relevant Annexes/Amendments (for environmental energy projects), Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011) (for biomass power generation projects of greentech), as well as Discharge Standard of Pollutant for Municipal Wastewater Treatment Plant (GB18918-2002) (for environmental water projects), etc. No breach of these regulations and relevant environmental protection standards that has significant loss and impact to the Group was recorded in 2016.

Conforming to the national environmental management strategy in improving air quality and conserving natural resources, the Group continuously monitors its emission data and resources usage, and publishes key performance indicators on the website, LED display screens outside the plants, and its annual sustainability reports. On 11 May 2016, the Group announced in a press conference in Beijing that it would disclose on a daily basis the emission data of its operating waste-to-energy projects, including the daily average level of online monitored flue gas emissions, daily test results of leachate treatment water quality, etc., proactively inviting the public's supervision. From 1 January 2017, the Group began disclosing the average hourly gas emission levels of all of its operating waste-to-energy projects, which marks the completion of the Group's "Four Steps" environmental information disclosure plan. This important initiative has set an example for the industry in terms of information disclosure, as well as reflects the Group's continuous effort to enhance its operations and management.

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 6 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 audit 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 2016, except that: –

(1) the then Chairman of the Board was unable to attend the annual general meeting of the Company held on 17 May 2016 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.

(2) a non-executive director of the Company was not appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the CG Code which requires that all the non-executive directors should be appointed for a specific term. The Board believes that the current arrangement will enable the Company to have a greater flexibility to organize the composition of the Board to serve the needs of the Group. Pursuant to the Company's Articles of Association, subject to the manner of retirement by rotation of directors of the Company (the "Directors") as from time to time prescribed under the Listing Rules and notwithstanding any contractual or other terms on which any Director may be appointed or

engaged, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of 3, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years.

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, KPMG, the predecessor auditors of the Company, and Ernst & Young, the existing auditors, including but not limited to the accounting principles and practices adopted by the Group, significant audit matters such as significant accounting estimates 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 2015 and the interim results for the six months ended 30 June 2016 respectively.

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 Deputy Chief Financial Officer. 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.

During the year under review, the Risk Management Committee reviewed the establishment of a risk management system for the Group, 2016 risk management work plan, the risk management at all levels and internal control reporting mechanism, the risk management policy and risk factors of the Company, 2017 risk management work plan and the analysis report of 8 key risks of the Company in 2016, etc.

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.

During the year under review, the Nomination Committee considered the change in Directors and re-designation of Directors, reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of the independent non-executive Directors, and discussed and made recommendation to the Board on the re-election of the retiring Directors at the forthcoming 2017 annual general meeting of the Company, etc.

Remuneration Committee

The Remuneration Committee currently comprises Mr. Li Kwok Sing, Aubrey (Chairman), an independent non-executive Director, Mr. Cai Yunge, the 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.

During the year under review, the Remuneration Committee reviewed the remuneration adjustment proposal for the Directors and management of the PRC subsidiaries and 4 business segments of the Company, and the remuneration proposal 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.

During the year under review, no Disclosure Committee meeting was held.

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 as well as 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.

During the year under review, the Management Committee held regular meetings. The Management Committee reviewed and discussed, including but not limited to, the Group's investment proposals on new projects, changes in senior management personnel, performance appraisals, and status of financial budget execution and the major works done and progress of each business segment, etc.

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 2016.

Final Dividend

The Board has proposed to pay a final dividend of HK13.0 cents per share (2015: HK 12.0 cents per share) to the Shareholders whose names appear on the register of members of the Company on Monday, 5 June 2017. Subject to approval by the Shareholders of the final dividend at the forthcoming annual general meeting of the Company, dividend cheques will be dispatched to the Shareholders on or around Thursday, 29 June 2017.

Closure of Register of Members

The register of members will be closed from Friday, 19 May 2017 to Wednesday, 24 May 2017, 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 Thursday, 18 May 2017.

The register of members will also be closed from Thursday, 1 June 2017 to Monday, 5 June 2017, 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, 31 May 2017 .

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

During the year under review, the Company bought back 1,000,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$7,949,990. The aim of the buy-back was to enhance the value of the Shareholders. Details of the buy-back are as follows:

Month/ Year	**Number of shares bought back**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration**
		HK$	*HK$*	*HK$*
May 2016	1,000,000	7.99	7.78	7,949,990

All 1,000,000 ordinary shares bought back were cancelled on delivery of the share certificates during the year under review. The aggregation consideration of HK$7,949,990 was paid out from the Company's retained profits.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

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

Hong Kong, 28 February 2017

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