CTEG
中滔環保

CT ENVIRONMENTAL GROUP LIMITED
中 滔 環 保 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1363)

CLARIFICATION ANNOUNCEMENT
AND
RESUMPTION OF TRADING

Reference is made to the Report and the announcement of the Company dated 23 November 2016 in relation to the trading halt in the Shares. This announcement is made to refute the allegations concerning the Group in the Report.

Save as disclosed in this announcement, the Board is not aware of any matter discloseable under the general obligations imposed by Rule 13.09 of the Listing Rules, or under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

Trading in the Shares on the Stock Exchange was suspended with effect from 2:07 p.m. on 23 November 2016 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 1 December 2016.

Reference is made to the report (the "**Report**") issued by Glaucus Research Group ("**Glaucus**") about CT Environmental Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") and the announcement of the Company dated 23 November 2016 in relation to the trading halt in the shares of the Company ("**Shares**") from 2:07 p.m. on 23 November 2016.

This announcement is made to refute the allegations concerning the Group in the Report. Save as disclosed in this announcement, the board of the Company (the "**Board**") is not aware of any matter discloseable under the general obligations imposed by Rule 13.09 of the Listing Rules, or under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company has no information about the identity of Glaucus. As indicated in the Report, Glaucus is a short seller and therefore stands to realize significant gains in the event that the price of the Shares decline. In view of this, shareholders and investors should exercise extreme caution in reading and using the information in the Report. As explained in detail below, the Report contains factual errors, misleading statements and unfounded speculation which the Company believes are combined in the Report with a view to manipulate the price of the Shares and to undermine the Company's reputation.

The Company categorically denies and refutes all the allegations in the Report.

This announcement is made by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

1. **Utilization Rates and Gross Profit**

The allegation

The Report alleges that the Company overstated its gross profit from its building, owning and operating ("**BOO**") segment as a result of the overstated utilization rates at the wastewater treatment facility in Xintao, Guangzhou, the People's Republic of China (the "**PRC**")(the "**Xintao Facility**") and the wastewater treatment facility in Yinglong, Guangzhou, the PRC (the "**Yinglong Facility**").

The Company's response

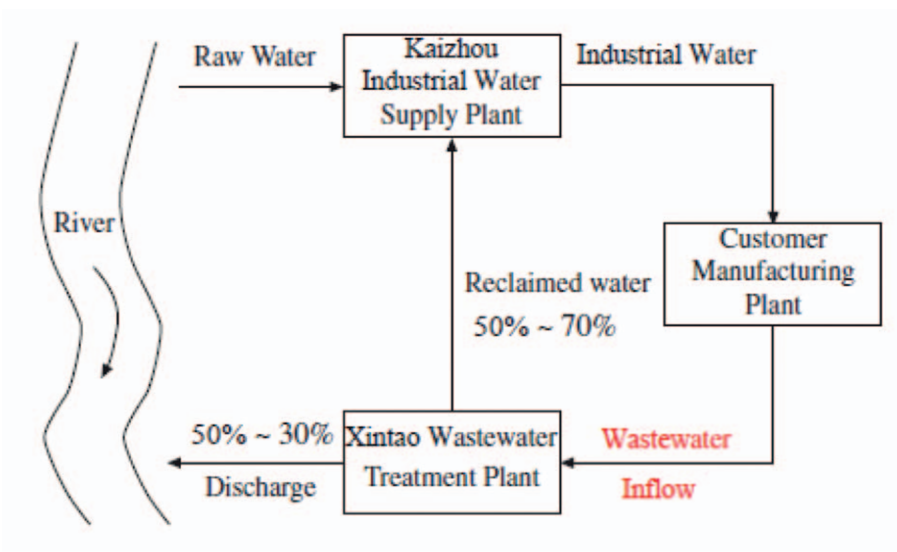
The Report applies incorrect data and fundamentally fails to understand the Company's business model.

The data applied in the Report was not reflective of the Group's operation. As a leading enterprise in the environmental protection industry in Guangdong, the performance of the Group's wastewater treatment facilities is highly regulated and continuously monitored by the local environmental protection authorities on a 24-hour real-time basis. This 24-hour monitoring system, which transmits the real-time data to the Guangdong Province Key Polluting Sources Automatic Monitoring Work Platform (the "**Platform**"), is the most authoritative and up-to-date source in assessing the operation of the Group's wastewater treatment facilities. To take a case in point, the processing volume of the Yinglong Facility as shown on the Platform for 2014 was an average of approximately 83,153 m^3/day, whereas the data used in the Report was 53,800 m^3/day. The processing volume of the Yinglong Facility as shown on the Platform for 2015, was an average of approximately 92,227 m^3/day, whereas the Report did not report any data for the same period. The Company believes that the reason the Report omitted the data is because the Guangzhou Environmental Protection Bureau publicized real-time daily tracking data from July 2015 onwards (http://www.gzepb.gov.cn/wryhjjgml/jczf/fszdjk/index.html), which is consistent with the Company's disclosure.

Furthermore, the Report made a rudimentary mistake of confusing discharge volume with treatment volume (which is NOT publicized by the Ministry of Environment Protection (the "**MEP**"), but it is the treatment volume that determines the Company's revenue for the wastewater treatment facilities). The Group reaffirms that its disclosure of the facility utilization is consistent with the actual operational data for the present and the past. Hence, the Report's alleged inflation of reported wastewater treatment volumes is completely unfounded.

In the case of the Xintao Facility, its treatment volume is deemed to be the aggregate of the discharge volume and the reclaimed volume due to the water reclamation process. There is a vast difference between the treatment volume and the discharge volume due to the water reclamation ratio is between 50 and 70% (which fluctuates depending on the quality of the wastewater). The Report failed to include this important fact, which can be found on Page 121 of the Company's prospectus dated 12 September 2013.

The following diagram illustrates the full cycle water reclamation process of the Xintao Facility:



Wastewater produced in the Group's customers' manufacturing plants will be treated in the Group's wastewater treatment facilities according to the customers' requirements and specifications and applicable environmental standards. Approximately 50% to 70% of the post-treated wastewater in the Xintao Facility will be reclaimed by the Group for supplying as industrial water to its customers for use in their manufacturing processes. The Group's Kaizhou Industrial Water Supply Plant is a water supply plant certified with the Certificate for Comprehensive Utilization of Resources (資源綜合利用認定証書).

In view of the above, the allegation in the Report that the Company has overstated its gross profit from its BOO segment is totally unfounded. The income generated from the Xintao Facility and the Yinglong Facility has been fully and accurately reflected in the financial statements of the Group.

2. **No Ties**

The allegation

The Report made allegations about Mr. Tsui Cham To ("**Mr. Tsui**")'s tie with Mr. Chun Chi-Wai ("**Mr. Chun**").

The Company's response

The Report is misleading and makes allegations that are unfounded.

Mr Tsui has confirmed to the Company that since 2007, Mr. Tsui has had no professional or personal ties with Mr. Chun.

From 2003 to 2007, Mr. Chun was a director at both Guangzhou Xintao Wastewater Treatment Company Limited ("**Guangzhou Xintao**") and Guangzhou Kaizhou Water Supply Company Limited ("**Guangzhou Kaizhou**"), two of the Company's operating subsidiaries in the PRC, but his directorships were removed in 2007. Mr. Chun has had no further dealings with Guangzhou Xintao or Guangzhou Kaizhou since then.

In 2001, Mr. Tsui invested in a subsidiary of China Metal Recycling (Holdings) Limited as a financial investor. However, Mr. Tsui divested his investment in 2007, two years prior to the listing of China Metal Recycling (Holdings) Limited.

The Report's allegations are factually incorrect and the insinuations are groundless and malicious.

3. **Ownership/Consideration**

The allegation

The Report made allegations about the ownership in, and the acquisition cost of, the following companies acquired by Guangzhou Xintao in November 2015 (the "**Acquisitions**"):

(1) Ganghui Environmental Sewage Treatment Co., Ltd. ("**Ganghui Huanbao**");

(2) Zhongshan Zhongtuo Kailan Industry Co., Ltd. ("**Zhongshan Zhongtuo**"); and

(3) Shunde Hanyang Industrial Water Supply Company Limited ("**Shunde Hanyang**", and together with Ganghui Huanbao and Zhongshan Zhongtuo, the "**Acquired Facilities**").

The Report also alleged that the acquisition deposit paid for the potential acquisition of the following companies is too high and that the O&M model is suspicious:

(a) Guangzhou Menghui Technology Company Limited ("**Menghui Technology**");

(b) Guangzhou Jimei Environmental Protection Technology Company Limited ("**Guangzhou Jimei**"); and

(c) Zengcheng Zhongling Chemical Plant Company ("**Zhongling Chemical**").

The Company's response

The Report makes incorrect assumptions around ownership and referenced incomplete data to distort the transactions and their valuations.

(1) **Ownership**

Mr. Tsui has confirmed to the Company that he has never held interests in Guangzhou Yingzhou Investment Co. Ltd. ("**Guangzhou Yingzhou**"); he did not act as a director, supervisor, senior management or any other role in Guangzhou Yingzhou at any time; he is not in a position to assert any influence over Guangzhou Yingzhou, and he did not receive any personal benefit from the Acquisitions.

In accordance with Chapter 14A of the Listing Rules, Guangzhou Yingzhou does not constitute a connected party of the Company, given Mr Tsui has never held interests in Guangzhou Yingzhou, is not in a position to assert any influence over Guangzhou Yingzhou, and did not receive any personal benefit from the

Acquisitions, Guangzhou Yingzhou should not be considered a connected party for the purpose of Chapter 14A of the Listing Rules. The allegation made in the Report that each of the Acquired Facilities was ultimately owned by Guangzhou Yingzhou and therefore controlled by, or connected to, Mr. Tsui is incorrect.

(2) **Consideration**

The Company did not understate the purchase price of the Acquisitions. The Report confused the concept of "total acquisition cost" (used by the Report) and "total consideration" (used by the Company and disclosed in the Company's annual report in accordance with Hong Kong Financial Reporting Standards).

(i) Consideration paid by Guangzhou Yingzhou (per the Report)

	Ganghui Huanbao *RMB'000*	**Shunde Hanyang** *RMB'000*	**Zhongshan Zhongtuo** *RMB'000*	**Total** *RMB'000*
(A) Consideration paid for registered capital	3,000	1,000	20,000	24,000
(B) Consideration paid for equity interests	22,000	—	—	22,000
(C) Total consideration paid by Guangzhou Yingzhou (per the Report)	25,000	1,000	20,000	46,000

To the best of the knowledge of the Company, the amount paid by Guangzhou Yingzhou for its acquisition of the Acquired Facilities consisted of the consideration for the equity portion (that is, the registered capital) and the equity interest (that is, items (A) and (B) in the table) and the assumption of the liabilities. The amount of RMB 46 million did not take into account the liabilities that Guangzhou Yingzhou had to assume and the equity interest of Zhongshan Zhongtuo and Shunde Hanyang (that is, item (B) in the table). The Report has misconstrued and grossly exaggerated Guangzhou Yingzhou's gain (from the Acquisitions). The Report assumed Guangzhou Yingzhou's acquisition cost for Shunde Hanyang and Zhongshan Zhongtuo to be RMB1 million and RMB20 million respectively, which was their respective registered capital. Report has selectively applied the concept of acquisition cost and registered capital, as demonstrated by their analysis of Ganghui Huanbao, to confuse the concept of total consideration.

(ii) Consideration paid by the Group

The nature of consideration (which includes the cash consideration for the equity portion and interests and the capital expenditure into the Acquired Facilities as stipulated in the entrusted services contract) and the liabilities assumed at the acquisition date had been properly disclosed in notes 13(b)(v), (vi) and (x) of the Company's annual report for the year ended 31 December 2015.

	Ganghui Huanbao	**Shunde Hanyang**	**Zhongshan Zhongtuo**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash consideration	25,000	56,000	25,000	106,000
Capital expenditure into the Acquired Facilities	47,948	30,801	90,776	169,525
	72,948	86,801	115,776	275,525

Hence, the allegation of understating the purchase price is groundless.

(iii) Consideration in line with market

The consideration for the Acquisitions is in line with the market, based on price-to-book ratio and enterprise value/tonne as shown in the table below. Hence, the allegation of inflated purchase price is groundless.

The following table shows the price-to-book ratio given the amount of RMB275 million (that is, the sum of RMB169 million and RMB106 million) incurred by the Group in connected with the Acquired Facilities.

		Acquisition of Ganghui Huanbao	**Acquisition of Shunde Hanyang**	**Subtotal**	**Acquisition of Zhongshan Zhongtuo**	**Total**
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Consideration	a	72,948	86,801	159,749	115,776	275,525
Net identifiable asset value of the Acquired Facilities	b	68,069	63,660	131,729	109,354	241,083
Price-to-book ratio	c=a/b			1.21	1.06	1.14

Note: Ganghui Huanbao and Shunde Hanyang (the "**Shunde Projects**") are treated as one unit because these two projects are in the same location and consisted of water reclamation system. The post-treated wastewater of Ganghui Huanbao will be reclaimed for supplying to the customers of Shunde Haiyang.

Items a and b are disclosed in notes 13(b)(v), (vi) and (x) of the Company's annual report for the year ended 31 December 2015 based on the relevant accounting standards.

The price-to-book ratios of the acquisition of the Shunde Projects and Zhongshan Zhongtuo are 1.21 times and 1.06 times, respectively. The net identifiable asset value of the Acquired Facilities as at the date of the acquisition was assessed by DTZ Cushman & Wakefield Limited (formerly known as DTZ Debenham Tie Leung Limited), an internationally recognised valuer. Based on the net asset value of the Acquired Facilities, the Company considers that the consideration paid for the Acquisitions was fair and reasonable.

The table below shows that the enterprise value per tonne based on the amount of RMB627 million is in line with the industry standard.

		Acquisition of Ganghui Huanbao *(RMB'000)*	**Acquisition of Shunde Hanyang** *(RMB'000)*	**Subtotal** *(RMB'000)*	**Acquisition of Zhongshan Zhongtuo** *(RMB'000)*	**Total** *(RMB'000)*
Consideration (note)		72,948	86,801	159,749	115,776	275,525
Trade and other payables (note)		148,615	41,854	190,469	161,936	352,405
Enterprise value	a	221,563	128,655	350,218	277,712	627,930
Acquired daily treatment capacity						
Industrial water usage (tonnes)		—	70,000	70,000	60,000	130,000
Industrial wastewater treatment (tonnes)		60,000	—	60,000	70,000	130,000
Total	b	60,000	70,00	130,000	130,000	260,000
Enterprise value per tonne (RMB)	c=a/b			**2,694**	**2,136**	**2,415**

Note: The amounts are disclosed in notes 13(b)(v), (x) and (vi) of the Company's annual report for the year ended 31 December 2015 based on relevant accounting standards.

The enterprise value per ton for the Shunde Projects and Zhongshan Zhongtuo was approximately RMB2,694 and RMB2,136, respectively, which the Board considers to be reasonable as the cost for building a new plant would be comparable.

(iv) Disclosure

The liabilities of RMB352 million mainly included the refundable deposits, the amount payable for shareholders' loans extended to the Acquired Facilities by their previous owners prior to the Acquisitions, and accounts payable for operating expenses. These liabilities were substantially settled in 2015 and 2016.

(3) **Acquisition Deposit**

The Company adopts a prudent strategy — O&M— to make accretive expansions (and acquisitions subsequently if certain risks are resolved) on a risk-adjusted basis. In cases where the target assets do not have the full set of permits and licences, the O&M approach is the preferred route to generate revenue while minimizing the risk exposure to the Company.

The Report alleged that the acquisition deposit paid for Menghui Technology, Guangzhou Jimei, and Zhongling Chemical is too high. Again, the consideration of RMB500,000 as mentioned in the Report for the acquisition of Menghui Technology by Guangzhou Yingzhou only consisted of the registered capital and did not take into account any equity interest and also the liability assumed. Hence, the allegation is groundless.

In September 2016, the Group subsequently determined that these three entities' principal businesses (which include recycling businesses) are different from the development strategy of the Group and decided not to acquire them. Hence, the acquisition deposits will be refunded to the Group and these three entities will continuously be operated by the Group under the O&M arrangement.

For a more detailed analysis of O&M, please refer to thesection headed "5. Entrusted Operation Services" below.

4. **Financial Statements for Major Acquisition**

The allegation

The Report alleged that the Company had exaggerated the profits of Qingyuan Lvyou Environmental Projection Technology Company Limited ("**Qingyuan Lvyou**") for the years 2013 and 2014.

The Company's response

The Report fails to consider the timing of the Qingyuan Lvyou acquisition.

(1) 2014

The following table sets out the comparison of the profit stated in the SAIC filing and the profit recorded by the Group in 2014.

	Profit according to SAIC filing	**Profit contributed to the Group after completion of aqcuisition**	**Difference**
	(Qingyuan Lvyou's profit for the year ended 31 December 2014)	*(Qingyuan Lvyou's profit from 1 May to 31 December 2014)*	*(Qingyuan Lvyou's loss from 1 January to 30 April 2014)*
	A	B	C=A-B
	RMB	RMB	RMB
Net profit / (loss)	27,200,000	66,400,000	(39,200,000)

The Group acquired 100% equity interest in Qingyuan Lvyou on 30 April 2014. For the year ended 31 December 2014, Qingyuan Lvyou recorded a net profit of RMB27,200,000. As the acquisition of Qingyuan Lvyou was completed on 30 April 2014, the results of Qingyuan Lvyou have been consolidated into the accounts of the Group since May 2014. The loss, incurred by Qingyuan Lvyou during the period from January to April 2014 in the amount of RMB39,200,000, was not recorded in the Group's consolidated accounts. For the period from May to December 2014, Qingyuan Lvyou recorded a net profit of RMB66,400,000 (equivalent to approximately HK$83,800,000).

As disclosed in the financial statements of the Company for the year ended 31 December 2014, as a term of the acquisition, Mr. Gu Yao Kun ("**Mr. Gu**"), the previous owner of Qingyuan Lvyou, provided a profit guarantee in order for the Company to protect its shareholders. Mr. Gu guaranteed that the net profit after taxation of Qingyuan Lvyou attributable to the Group for the financial year ended 31 December 2014 would not be less than HK$80,000,000.

As aforesaid, the net profit of Qingyuan Lvyou for the period from May to December 2014 and attributable to the Group amounted to RMB66,400,000 (equivalent to approximately HK$83,800,000). The profit guarantee provided by Mr. Gu for the year ended 31 December 2014 was met. Qingyuan Lvyou's net profit attributable to the Group for the year ended 31 December 2014 was consistent with the Company's disclosure.

Qingyuan Lvyou has experienced relatively rapid profit growth since May 2014 which is mainly due to the increase in profits generated by Qingyuan Lvyou's sludge treatment project and landfill facility coupled with the corresponding increase in customers:

(i) The sludge treatment project holds a permit to treat 555,000 tons per year; it secured approximately 145 new customers during the period from May to December 2014. These customers have significantly contributed to Qingyuan Lvyou's profits; and

(ii) Qingyuan Lvyou's landfill operation began to generate revenue in May 2014; given the high margin of the landfill business, the profit attributable to this business was substantial.

(2) 2013

As for the year ended 31 December 2013, and as stated in the announcement of the Company dated 30 April 2014, the unaudited net profit of Qingyuan Lvyou amounted to RMB11,900,000. Qingyuan Lvyou recorded a net loss of RMB13,800,000 in the SAIC filing. The difference in the net profit/loss of Qingyuan Lvyou, as disclosed in the unaudited accounts and the SAIC filing, arose as a result of the acquisition of a number of sludge treatment projects by Qingyuan Lvyou on 30 December 2013.

To better reflect the substance of the acquisition by the Group (that is, the acquisition of Qingyuan Lvyou by the Group included these new projects), Qingyuan Lvyou included the results of these projects in its management accounts for the calculation of its profit/loss. The net profit attributable to these new projects in 2013 was RMB25.7 million. The table below illustrates how the numbers can be reconciled.

	Qingyuan Lvyou's loss for the year ended 31 December 2013 according to SAIC filing A *RMB*	Profits generated by the sludge treatment projects from January to December 2013 before being acquired by Qingyuan Lvyou B *RMB*	Lvyou's unaudited management accounts by combining A and B to better reflect the substance of the acquisition of Qingyuan Lvyou by the Group C=A+B *RMB*
Net (loss) / profit	(13,800,000)	25,700,000	11,900,000

According to the relevant PRC tax law, tax holiday of "3-year exemption and 3-year 50% reduction" of Qingyuan Lvyou starts from the year when revenue is first generated. Nevertheless, Qingyuan Lvyou has filed an application to the local tax bureau to start its tax holidays from 2014. Qingyuan Lvyou's application was accepted by the local tax bureau. There has been no tax dispute between Qingyuan Lvyou and the local tax bureau in relation to this matter or any other tax matter.

5. **Entrusted Operation Services**

The allegation

The Report once again made allegations about the authenticity of the reported profits in connection with such entrusted operation services of the Company.

The Company's response

The Report completely fails to understand the Company's business model and growth strategy, and ignores the Company's prior disclosures.

(a) **The Business Model**

Entrusted operation services are not a mysterious source of revenue as alleged in the Report. This service was previously disclosed in the Company's prospectus dated 12 September 2013 under the segment of "O&M service".

As a business model, the provision of the entrusted operation services brings a source of income to the Group. It is a growth strategy that minimizes risk for the Group. It enables the Group to improve the operational efficiency of a facility and to assess its potential as an acquisition target for the Group.

Ganghui Huanbao is a case in point. The Company started the entrusted operation in September 2014 and completed the acquisition in December 2015. During the entrusted operation period, the title registration of the assets of Ganghui Huanbao was completed. The Company has also upgraded the assets that was previously unable to meet the required standards for the post-treated wastewater to be reclaimed. The Company invested in the asset to bring them up to standard, thus making them a viable acquisition option.

Under the entrustment operation agreements entered into by the Group prior to or in 2015, the wastewater treatment facilities would bear all operational costs. The Group's contribution is limited to assigning management and technical personnel for the provision of management support, streamlining operations workflow and improving technology know-how. Given that the Group's provision of operation maintenance services is not capital intensive, the Group benefits from an EBITDA margin of 99.7%. The Group also contributes certain capital expenditure to these facilities and the Group may consider acquiring these facilities in future. In pursuit of this strategy, the Group acquired Guanghui Huanbao, Shunde Hanyang and Zhongshan Zhongtuo in 2015.

(b) **Disclosure**

Revenue generated from the entrusted operation services has been fully disclosed on pages 93 to 94 of the annual report of the Company for the year ended 31 December 2015. The service recipients have been disclosed on page 94 of the 2015 annual report. Out of the six entrustment operation projects referred to in the Report, the Group has acquired three of them as the Group believed these facilities would maximize the benefits for shareholders.

(c) **Ownership**

The six entrustment operation projects referred to in the Report were ultimately owned by Guangzhou Yingzhou. Mr. Tsui has confirmed to the Company that he has never held interests in Guangzhou Yingzhou; he did not act as a director, supervisor, senior management or any other role in Guangzhou Yingzhou at any time; and he is not in a position to assert any influence over Guangzhou Yingzhou and he did not receive any personal benefits from the six entrustment operation projects.

The Report has ignored public filings disclosed by the Group and twisted facts regarding the Group's entrustment operation services.

6. **Land Purchase**

The allegation

The Report alleged that the land acquired by Guangzhou Xintao had remained idle.

The Company's response

The Report's allegations are intentionally misleading and factually incorrect.

On 25 November 2013, Guangzhou Xintao acquired the land use rights for a parcel of land in Xintang Town, Zengcheng, Guangzhou, Guangdong Province, the PRC (the "**Land**") by way of auction at a consideration of RMB44,000,000. The Land is for commercial use and the local government did not specify any particular usage. A condition to the acquisition imposed by the local government was that development of the Land should commence within one year from the signing of the relevant land purchase agreement.

After completion of such acquisition, the Company proceeded with the relevant procedures to commence construction. As the Company took some time to reassess its options for the development of the Land, the process was delayed. The Company has completed all pre-construction preparation works (including project preparation, planning approval, survey and design) and commenced construction in tranches. The Company has applied to, and is in discussions with the relevant local government for time extension. The Company believes that the project, once completed, will be beneficial to the local community and to its shareholders.

7. **Financial Statements**

The allegation

The Report alleged that the Company had fabricated its financial statements.

The Company's response

The Report once again misunderstands the Company's business model.

The Report shows a total lack of understanding for the sector in which the Group operates and the Group's core business. The Report ignores the difference between industrial wastewater treatment and municipal wastewater treatment.

(1) **BOO model vs BOT model**

A detailed analysis of the Group's BOO model for industrial wastewater treatment has been set out on page 8 of the Company's prospectus dated 12 September 2013. It is different from the build-operate-transfer ("**BOT**") model for the provision of municipal wastewater treatment adopted by the other listed issuers.

Given the complexity in the provision of industrial wastewater treatment, the costs, technical know-how requirements and entry barrier for an operator of industrial wastewater treatment are much higher compared to that for an operator of municipal wastewater treatment.

For the provision of municipal wastewater treatment under the BOT model, the operator companies would sign the operation agreement with the relevant local government directly. The treatment charge would typically be pre-determined and highly regulated by the relevant local government.

For the provision of industrial wastewater treatment under the BOO model (as in the case of the Group), the Group directly enters into a service agreement with the customers. The treatment charge is negotiated between the Group and the customer based on the market rate, taking into consideration other factors, such as customer specifications and the quantity of wastewater to be treated.

The point-to-point pricing and the payment arrangement are at the core of the BOO model and are key characteristics of the industrial water treatment business. The Group leverages its edge in the know-how and operational management and benefits from the economies of scale and cost savings in its centralisation of different industrial wastewater treatment processes.

Given the nature of the business, there cannot be a direct comparison between the Group and the other listed issuers mentioned in the Report. The Group's profitability is a function of its unique business model, know-how and expertise in operational management.

(2) **Growth**

The Group's business has grown rapidly since its initial public offer in September 2013. In parallel with the growth in the earnings base of the core business in industrial wastewater treatment, the Group has, through a series of acquisitions and new projects, successfully expanded into sludge and solid waste treatment and covered hazardous waste treatment, which has an even higher entry barrier. The Group has become an integrated environmental enterprise with a focus on industrial waste. The Group is in a industry that is capital intensive and which is in an upcycle.

The Company has been careful in deciding its funding requirements and channels. Apart from bank financing, the Group has also conducted the placing of new shares. The proceeds from the placings have been applied by the Group as working capital and for business development. The Group has conducted these funding-raising exercises to satisfy the needs of its business development in line with its shareholders' interests.

The Company reaffirms that the financial statements disclosed by the Company are true and accurate.

CONCLUSION

To reiterate, the Company categorically denies and refutes all the allegations in the Report. The allegations are groundless, misleading and malicious. The Company reserves the right to take legal action and other relief against such entity and/or associated individuals responsible for the Report.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 2:07 p.m. on 23 November 2016 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 1 December 2016.

This announcement is made by the order of the Board, of which the directors of the Company individually and jointly accept responsibility for the accuracy of the information contained in this announcement.

By order of the Board
CT ENVIRONMENTAL GROUP LIMITED
TSUI Cham To
Chairman

Hong Kong, 30 November 2016

As at the date of this announcement, the executive Directors are Mr. Tsui Cham To, Mr. Lu Yili, Mr. Gu Yaokun, Mr. Xu Shubiao, Mr. Xu Juwen, and the independent non-executive Directors are Mr. Lien Jown Jing, Vincent, Mr. Du Hequn and Mr. Liu Yung Chau.