中国博奇环保(控股)有限公司
China Boqi Environmental (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2377

ANNUAL REPORT 2017

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Cheng Liquan Richard (*Chairman*)
Zeng Zhijun

Non-Executive Directors

Tony Tuo Zheng
Zhu Weihang
Chen Xue

Independent Non-Executive Directors

Liu Genyu
Xie Guozhong
Lu Zhifang

AUDIT COMMITTEE

Xie Guozhong (*Chairman*)
Tony Tuo Zheng
Liu Genyu

REMUNERATION COMMITTEE

Lu Zhifang (*Chairman*)
Zeng Zhijun
Liu Genyu

NOMINATION COMMITTEE

Cheng Liquan Richard (*Chairman*)
Xie Guozhong
Lu Zhifang

JOINT COMPANY SECRETARIES

Qian Xiaoning
Wong Wai Ling

AUTHORIZED REPRESENTATIVES

Zeng Zhijun
Wong Wai Ling

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway, Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

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Wanchai, Hong Kong

HEADQUARTERS IN THE PRC

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Chaoyang District
Beijing, the PRC

COMPLIANCE ADVISOR

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road, Central, Hong Kong

LEGAL ADVISERS

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The Landmark
15 Queen's Road Central
Central, Hong Kong

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Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Beijing 100022
the PRC

As to Cayman Islands Law
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank, Chaoyang Branch
China Minsheng Bank, Sanyuanqiao Branch
China CITIC Bank, Beichen Branch
Jiangsu Bank, Xuanwumen Branch
China Merchants Bank, Jianguo Road Branch
Bank of China (Hong Kong) limited

STOCK CODE AND BOARD LOT

Stock Code: 2377
Board Lot: 1,000

INVESTOR RELATIONS AND COMMUNICATIONS

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Financial and Operation Highlights

- For the year ended 31 December 2017, the revenue of the Group amounted to RMB1,329 million, representing a decrease of 1.8% as compared with the year ended 31 December 2016.

- For the year ended 31 December 2017, the gross profit of the Group amounted to RMB297 million and the gross profit margin of the Group was 22.4%, representing an increase of 16.9% and 3.6 percentage points as compared with the year ended 31 December 2016, respectively.

- For the year ended 31 December 2017, the net loss of the Group amounted to RMB37 million, and the net loss margin of the Group was 2.8%, representing a decrease of 124.3% and 14.0 percentage points as compared with the year ended 31 December 2016.

  If excluding the estimated fair value loss on the Class B shares and Class C shares of the Company from the net profit of the Group, the adjusted profit for the year ended 31 December 2017 was RMB196 million, the net profit margin was 14.8%, representing an increase of 29.0% and 3.5 percentage points as compared with the year ended 31 December 2016.

- During the year ended 31 December 2017, the cumulative installed capacity contracted for newly built and upgraded environmental protection facilities engineering projects (including desulfurization, denitrification and dust removal projects) of the Group reached 5,235 MW. The total contract value of newly contracted environmental protection facilities engineering projects, including newly built and upgrade project, amounted to RMB712 million for the year ended 31 December 2017.

- For the Group's operation and maintenance business, the Group renewed 89% of its operation and maintenance contracts that expired in the year ended 31 December 2017. As at 31 December 2017, the Group had 14 operation and maintenance projects under operation with an aggregate installed capacity of 19,680MW.

- For the year ended 31 December 2017, the Group contracted the first concession operation project in the non-electricity field, namely Xinjiang Shenhuo project, with a total investment amount of RMB490.07 million. The Group cumulatively undertook six concession operation projects with one under construction and five in operation.

- The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2017.

The following table sets forth the Company's consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Revenue	**1,329,078**	1,352,955	1,351,416	1,238,759
Cost of sales and services	**(1,031,836)**	(1,099,309)	(1,105,660)	(1,038,654)
Gross profit	**297,242**	253,646	245,756	200,105
Other income and other gains and losses	**36,175**	28,397	(5,495)	(6,377)
Selling and distribution expenses	**(18,318)**	(15,859)	(11,376)	(8,266)
Administrative expenses	**(88,892)**	(72,376)	(62,889)	(58,276)
Share of profit of an associate	**31,694**	14,833	16,042	11,340
Finance costs	**(5,333)**	(6,043)	(7,087)	(8,810)
Change in fair value of convertible ordinary shares	**(233,228)**	—	—	—
Listing expenses	**(14,114)**	(9,141)	—	—
Profit before tax	**5,226**	193,457	174,951	129,716
Income tax expense	**(42,255)**	(41,416)	(36,781)	(25,751)
(Loss)/Profit for the year	**(37,029)**	152,041	138,170	103,965
Other comprehensive (expenses)/income for the year:				
Items that may be subsequently reclassified to profit or loss:				
Change in fair value of available-for-sale investment	**7,000**	(3,600)	2,240	2,906
Reclassification of realised gain in fair value of available-for-sale investments to profit or loss	**—**	—	—	(2,331)
Tax effect from change in fair value of available-for-sale investment	**(1,051)**	540	(336)	(143)
	5,949	(3,060)	1,904	432
Total comprehensive (expenses)/income for the year	**(31,080)**	148,981	140,074	104,397

Financial and Operation Highlights (continued)

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
(Loss)/Profit for the year attributable to:				
Owners of the Company	**(36,418)**	152,041	137,585	103,640
Non-controlling interests	**(611)**	—	585	325
	(37,029)	152,041	138,170	103,965
Total comprehensive (expenses)/income for the year attributable to:				
Owners of the Company	**(30,469)**	148,981	139,489	104,072
Non-controlling interests	**(611)**	—	585	325
	(31,080)	148,981	140,074	104,397
(Loss)/Earnings per share				
— Basic (RMB)	**(0.08)**	0.25	0.23	0.17
— Diluted (RMB)	**(0.08)**	0.25	N/A	N/A

The following table sets forth selected items from the Company's consolidated statements of financial position as at the dates indicated:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
ASSETS				
Total non-current assets	**1,148,815**	706,450	484,626	411,663
Total current assets	**1,695,867**	1,635,406	1,683,298	1,735,027
Total assets	**2,844,682**	2,341,856	2,167,924	2,146,690
LIABILITIES AND EQUITY				
Total current liabilities	**1,309,524**	1,277,711	1,021,386	1,047,979
Total non-current liabilities	**782,129**	47,000	67,000	87,000
Total equity	**753,029**	1,017,145	1,079,538	1,011,711
Total liabilities and equity	**2,844,682**	2,341,856	2,167,924	2,146,690

The following table sets forth a summary of the consolidated statements of cash flows for the periods indicated:

(RMB millions)	**for the year ended 31 December 2017**	for the year ended 31 December 2016	for the year ended 31 December 2015	for the year ended 31 December 2014
Net cash generated from operating activities	**265**	110	171	251
Net cash generated from (used in) investing activities	**38**	(318)	(35)	61
Net cash generated from financing activities	**58**	28	(139)	(78)

Chairman's Statement

Chairman of the Board

Cheng Liquan Richard

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Boqi Environmental (Holding) Co., Ltd. (the "**Company**"), I am pleased to submit the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 (the "**2017 Financial Year**").

The year of 2017 was an extremely meaningful year for the development of the Group, which the Group has taken a solid step for its commitment to become a world-class environmental industrial group. The strategic arrangement on the Group's shareholding structure and the smooth transition of the Group's business structure have laid a solid foundation for the Group to tap into the capital markets in Hong Kong. In 2017, the Reports of the 19th National Congress of the Central Committee of the Communist Party of China put forward the philosophy of "Beautiful China" as a goal of socialist modernization, along with prosperity, democracy, civilization and harmony. By capturing the opportunities brought along with the favorable environmental policies promulgated by the government in the People's Republic of China ("**PRC**"), the Group's business has achieved higher growth in profit, which to some extent contributed to the pollution prevention and control and energy conservation in China.

Looking forward to 2018, the Group will capture the opportunities brought by the policies for the development of the environmental protection industry, and actively integrate its environmental protection market with the resources from strategic shareholders, the capital market network and the impetus of innovation. The Group will still continue to focus on the philosophy of "advanced technology, optimized cost, outstanding services" to further expand the Company's business scope, maintain the Group's leading position in the market, maximize shareholder returns and optimize the Group's commitment of becoming a world-class environmental industrial group.

In closing, on behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their continuous support and confidence in the Company. I must also thank our staff for their efforts and dedication. Our achievements this year would not have been possible without the hard work and dedication of the Company's Board of Directors and staff. I would also like to express my sincere gratitude to them for their continual support.

Cheng Liquan Richard
Chairman
Hong Kong, 29 March 2018

Chief Executive Officer's Statement

Dear Shareholders,

We are a market leader among independent flue gas treatment service providers in the PRC and our services cover the whole-industry-chain of the flue gas treatment industry, from project designing, equipment procurement and facilities construction to operation and maintenance and concession operation of flue gas treatment facilities. We also commit to building an integrated environmental protection industrial group.

In 2017, under the correct decision of the board of directors, and with the concerted efforts and determination of the Company's senior management team and all employees, by adhering to the three leading core philosophy of "advanced technology, optimized cost, outstanding services", the Company implemented a customer–oriented engineering management system and demonstrated excellent capability in BOT project operation, and this has won the recognition of industry and society. As there has been a continuous slowdown in the growth of the global economy with the global economy having entered into a more turbulent environment and the domestic real economy having undertaken structural adjustment and overcapacity elimination, in the face of various domestic and international economic situations, the Group adjusted its business scope and business structure in a timely manner to ensure the sustainable and steady development of the Group's businesses.

In 2017, the Group's principal business continued to maintain steady growth. During the year under review, the Group vigorously expanded the scope of business of the non-electricity fields, including flue gas treatment in the petrochemicals and metallurgical areas, and actively promoted the development strategy of "bring in, go out". The Group has kept close cooperation with companies such as China Energy Engineering Group Co., Ltd., Power Construction Corporation of China and China National Machinery Import and Export Corporation. Meanwhile, by leveraging the national strategy of "One Belt One Road", the Group actively planned to set up an international operations for its overseas market expansion.

In 2017, the Group actively responded to a number of new environmental policies issued by the government authorities in the PRC such as the National Development and Reform Commission of the PRC and the Ministry of Ecology and Environment of the PRC, fully utilized the Group's market position as one of the top three companies in the flue gas treatment for coal-fired power plants in the PRC, and actively planned its concession operation and operation and maintenance business of "third-party treatment" for coal-fired power plants to enable the Group's principal business structure to become more reasonable and optimized.

In order to further optimize the Company's resource allocation, release the internal vitality of the enterprise, reduce costs and improve market competitiveness, the Group further expanded its industrial chain and actively promoted the businesses of zero waste water discharge and soil remediation in 2017, which the Group has launched a demonstration project of zero waste water discharge and undertaken soil remediation engineering project.

In 2018, adhering to the result-oriented philosophy, the Group shall enhance management, differentiate powers and responsibilities, improve efficiency and makes continuous progress. Being responsible to the society and our shareholders, the Group carries out its operation with an aim of maximising the Company's and the shareholders value.

In 2018, the Group will position itself at a new historical starting point. By leveraging the listing and taking "industry and capital" as support, the Group will realize the integration and promotion between capital and industry and achieve transformation in the Company's business and significant improvement in management, and promote "internal" and "external" growth as the first step in becoming an integrated environmental protection industrial group. The Group commits to becoming a leading conglomerate in the environmental treatment service business among domestic and overseas markets, and establishing the Company as a "platform" integrated environmental protection company.

It is said that "a huge tree that fills one's arm grows from a tiny seedling; a nice–storied tower rises from a heap of earth". The stage of Boqi is shared by all of our shareholders and staff. I hope all our colleagues to have our feet firmly on the ground and aim high, and we would gain our flourished future with our endless efforts.

Zeng Zhijun
Chief Executive Officer
Hong Kong, 29 March 2018

Company Profile

The Group commenced the flue gas treatment business in 2003 and is among the first independent participants in the flue gas treatment industry in China. The Group provides a variety of technologies and services to coal-fired power plants to reduce pollutant emissions and improved their production efficiency. The Group has strategically leveraged its solid experience and professional capabilities in R&D and design, construction and implementation, operation and management to achieve synergies among various business segments and to provide integrated environmental protection and energy conservation solutions to the Group's customers. Particularly, the Group provides a range of services primarily for controlling air pollution at coal-fired power plants, including desulfurization services, denitrification services, dust removal services, and integrated flue gas treatment services. In addition, the Group provides water treatment services for power plants. The projects of the Group have a broad geographic coverage, covering almost 30 provinces, municipalities and autonomous regions in China. Furthermore, the Group started to expand its business into the overseas markets in 2007, ahead of most of the Group's competitors. In particular, the Group has undertaken more than 10 quality desulfurization and denitrification projects in Europe, South Asia, Latin America, Africa and Southeast Asia, and is one of the few PRC companies having successfully completed thermal power environmental protection projects in overseas markets.

The Group has advanced R&D equipment and facilities and has also established a professional R&D team. The Group has established an enterprise technology center which was accredited by the Beijing Municipality Commission of Economic and Information Technology and a post-doctoral research station with Nankai University. In recent years, the Group has established strategic partnerships with world-renowned multinational companies and has entered into extensive research cooperation with domestic and overseas research institutes for proactively seeking technology development.

Directors and Senior Management

DIRECTORS

The Board currently consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Mr. Cheng Liquan Richard (程里全)	52	Chairman and executive Director	30 January 2015
Mr. Zeng Zhijun (曾之俊)	47	Vice Chairman, executive Director, chief executive officer	30 January 2015
Non-executive Directors			
Mr. Tony Tuo Zheng (鄭拓)	49	Non-executive Director	30 January 2015
Mr. Zhu Weihang (朱偉航)	31	Non-executive Director	9 January 2017
Mr. Chen Xue (陳學)	51	Non-executive Director	9 January 2017
Independent non-executive Directors			
Mr. Liu Genyu (劉根鈺)	54	Independent non-executive Director	28 February 2018
Dr. Xie Guozhong (謝國忠)	57	Independent non-executive Director	28 February 2018
Mr. Lu Zhifang (陸志芳)	64	Independent non-executive Director	28 February 2018

EXECUTIVE DIRECTORS

Mr. Cheng Liquan Richard (程里全) ("Mr. Cheng"), aged 52, is the chairman of the Board, an executive Director and the chairman of the Nomination Committee of the Company. Mr. Cheng is primarily responsible for the overall strategic planning and direction of the Group. Mr. Cheng was appointed to the Board on 30 January 2015.

Mr. Cheng joined the Group serving as a director of Beijing Boqi Electric Power SCI-TECH Co., Ltd.* (北京博奇電力科技有限公司) ("**Beijing Boqi**"), the major operating subsidiary of the Group, on 15 June 2005. Mr. Cheng became the chairman of the board of Beijing Boqi in December 2007 and then served as its chief executive officer from December 2009 to February 2017. Mr. Cheng currently serves as the general manager of Beijing Boqi, a director of Beijing Shengyi Tiancheng Environmental SCI-TECH Co., Ltd.* (北京聖邑天成環保科技有限公司) ("**Beijing Shengyi**"), Zhejiang Boqi Electric Power SCI-TECH Co., Ltd.* (浙江博奇電力科技有限公司) ("**Zhejiang Boqi**") and Anhui Nengda Fuel Co., Ltd* (安徽能達燃料有限公司) ("**Anhui Nengda**"). Prior to joining the Group, Mr. Cheng held various positions at Bit Technology Holding Co., Ltd* (比特科技控股股份有限公司), a company that was principally engaged in the wholesale of spare parts for power plants, from April 2000 to March 2003, including deputy manager, general manager, the chairman of the board and a director. Mr. Cheng has been a director of Ningbo Bonded Area Jiujiu Leasing Co. Ltd.* (寧波保稅區久久租賃有限公司) (previously known as Ningbo Huaneng Leasing Co. Ltd.* (寧波華能租賃有限公司)) ("**Ningbo Leasing**") since 2004. As Ningbo Leasing did not have any business activities and maintained a non-operation status, it had not participated in annual inspections pursuant to the relevant PRC requirements, and the business licence of Ningbo Leasing was revoked by the competent company registration authority. Mr. Cheng confirmed that he was not involved in the business operation of Ningbo Leasing at the relevant time and the failure of Ningbo Leasing to undergo annual inspection was due to the negligence on the part of the then officers and was not due to any default on the part of Mr. Cheng. As at the date of this annual report, Ningbo Leasing was undergoing procedures of winding-up by its shareholders and the relevant documents in respect of such winding-up procedures have been filed with the Market Supervision Administration of Ningbo Municipality* (寧波市市場監督管理局).

Mr. Cheng graduated from Fudan University with a bachelor's degree in political economy in July 1987.

From June 2010 to September 2014, Mr. Cheng served as a director of Wuhan Boch Jaco Environmental Co., Ltd* (武漢博奇玉宇環保股份有限公司) (National Equities Exchange and Quotations Stock Code: 831100). From August 2011 to March 2017, Mr. Cheng was a director of Shanghai ZJ Bio-Tech Co., Ltd* (上海之江生物科技股份有限公司) (National Equities Exchange and Quotations Stock Code: 834839).

Save as disclosed above, Mr. Cheng did not hold directorships in any listed public companies in the last three years.

Mr. Zeng Zhijun (曾之俊) ("Mr. Zeng"), aged 47, is the vice chairman, an executive Director, the chief executive officer and a member of the Remuneration Committee of the Company. Mr. Zeng is responsible for the overall management and operation of the Group. Mr. Zeng was appointed to the Board on 30 January 2015. Mr. Zeng joined the Group in June 2004 serving as a director of Beijing Boqi and became the vice chairman of Beijing Boqi in June 2007. Mr. Zeng currently serves as a director and the chief executive officer of Beijing Boqi. Since February 2005, Mr. Zeng has served as a director a director of Richinfo Technology Co., Ltd.* (彩訊科技股份有限公司) (formerly known as Shenzhen Richinfo Technology Co., Ltd.* (深圳市彩訊科技有限公司)) (a listed company on the Shenzhen Stock Exchange, stock code: 300634), a company that provides mobile Internet technology services in the PRC. Mr. Zeng served as the chairman of Beijing Horizon Media Group Inc.* (北京華亞和訊科技有限公司) from December 2002 to October 2004.

Since April 2016, Mr. Zeng has served as a director of Wuxi Zhonggan Microelectronics Co., Ltd.* (無錫中感微電子股份有限公司) (National Equities Exchange and Quotations Stock Code: 835399).

Mr. Zeng graduated from Beijing Institute of Technology (北京理工大學) with a bachelor's degree in computer science and engineering in July 1992. Mr. Zeng received a master's degree in business administration from Massachusetts Institute of Technology in June 2001. Mr. Zeng was awarded the degree of Doctor of Management from The Hong Kong Polytechnic University on 3 November 2010.

Save as disclosed above, Mr. Zeng did not hold directorships in any public listed companies in the last three years.

NON-EXECUTIVE DIRECTORS

Mr. Tony Tuo Zheng (鄭拓) ("Mr. Zheng"), aged 49, is a non-executive Director and a member of the Audit Committee of the Company. Mr. Zheng also served as a director of Beijing Boqi. Mr. Zheng was appointed to the Board on 30 January 2015.

From May 2011 to August 2016, Mr. Zheng served as a director of CITIC Securities International Asset Management Limited (中信証券國際資產管理有限公司), a private company incorporated in Hong Kong. In 2008, Mr. Zheng established MTP Capital Limited, a company that provides investment related consulting services, where he is mainly responsible for the overall management and operation of the company. From September 2000 to March 2010, Mr. Zheng was a director of Compass Venture (China) Limited, a private company incorporated in Hong Kong.

Mr. Zheng received a bachelor's degree in science from McMaster University in Canada in June 1992.

Mr. Zheng did not hold directorships in any public listed companies in the last three years.

Mr. Zhu Weihang (朱偉航**) ("Mr. Zhu"),** aged 31, is a non-executive Director of the Company. Mr. Zhu was appointed to the Board on 9 January 2017. Mr. Zhu also served as a director of Beijing Boqi.

Mr. Zhu is currently the vice president of Guangdong Pearl River Investment Co., Ltd.* (廣東珠江投資股份有限公司), where he is primary responsible for the coordination of the financing management. Mr. Zhu has been working at Guangdong Pearl River Investment Co., Ltd.* (廣東珠江投資股份有限公司) since September 2008, where he has held various positions in its different branch companies. From September 2008 to September 2011, Mr. Zhu worked at the Guangdong Pearl River Investment Co., Ltd. Finance Management Center* (廣東珠江投資股份有限公司融資管理中心) where he held positions as a financing chief executive, assistant to the director, deputy director and director. From October 2011 to September 2012, Mr. Zhu worked at the North China branch office of Guangdong Pearl River Investment Co., Ltd. (廣東珠江投資股份有限公司) as the deputy general manager and the standing deputy general manager.

Mr. Zhu graduated from Sun Yat-sen University (中山大學) with a bachelor's degree in finance in June 2012.

Mr. Zhu did not hold directorships in any public listed companies in the last three years.

Mr. Chen Xue (陳學**)** ("**Mr. Chen**"), aged 51, is a non-executive Director of the Company. Mr. Chen was appointed to the Board on 9 January 2017. Mr. Chen also served as a director of Beijing Boqi.

Mr. Chen has been the division chief of the mergers and acquisitions division of the capital operation department of Sinopec Group (中國石油化工集團公司) since March 2015, where he is primarily responsible for the capital market research and internal restructuring of the company. From March 2001 to March 2015, Mr. Chen was the deputy division chief and division chief of various departments and divisions of Sinopec Group (中國石油化工集團公司) including the restructuring department, department of enterprise reform, operation management department of refining and chemical enterprises, and the asset management company. Mr. Chen worked at China Sinopec Great Wall Lubricating Oil Limited (中國石化長城潤滑油公司) (an integrated lubricating oil service provider in the PRC) from July 1989 to March 2001. In 2013, Mr. Chen was recognized as professor-level senior economist by the Senior Professional Technical Qualification Appraisal Committee of Sinopec Group (中國石油化工集團公司).

Mr. Chen received his bachelor's degree in petroleum processing from East China College of Chemistry and Technology (華東化工學院) (now known as East China University of Science and Technology (華東理工大學)) in July 1989. Mr. Chen received his master's degree in management from Renmin University of China (中國人民大學) in June 2001.

Mr. Chen did not hold directorships in any listed public companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Genyu (劉根鈺) ("Mr. Liu"), aged 54, is an independent non-executive Director and a member of the Remuneration Committee and Audit Committee of the Company. He was appointed to the Board on 28 February 2018. Mr. Liu does not hold any other position with the members of the Group.

Mr. Liu is currently a non-executive director of Huazhong In-vehicle Holdings Company Limited (華眾車載控股有限公司), a Stock Exchange listed company (stock code: 6830) manufactures and sells internal and external decorative and structural automobile parts, molds and tooling, casing and liquid tank of air conditioning or heater units and other non-automobile products. Mr. Liu currently serves as an executive director and vice chairman of China Nuclear Energy Technology Corporation Limited (中國核能科技集團有限公司), a listed company on the Stock Exchange (stock code: 611) engages in EPC operations and consulting services, solar power generation operations and financing operations.

Mr. Liu has extensive experience in project development, commercial negotiation and operational management in the electric power industry. During the period from May 2007 to December 2012, Mr. Liu was the chief executive officer as well as an executive director, a member of the executive committee and the authorized representative of China Power New Energy Development Company Limited (中國電力新能源發展有限公司), a Stock Exchange listed company (stock code: 735) that engages in developing, constructing, owning, operating and managing clean energy power plants. Prior to that, Mr. Liu served as the vice president of Chongqing Jiulong Electric Power Co., Ltd* (重慶九龍電力股份有限公司) (principally engaged in electric power production), a company listed on the Shanghai Stock Exchange (stock code: 600292), and he was mainly responsible for construction projects and market management.

Mr. Liu received his bachelor's degree in industrial electric automation from Harbin Institute of Technology in June 1991. Mr. Liu was awarded an executive master's degree in business administration (EMBA) from Tsinghua University in July 2005.

Save as disclosed above, Mr. Liu did not hold directorships in any listed public companies in the last three years.

Dr. Xie Guozhong (謝國忠) ("**Dr. Xie**"), aged 57, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He was appointed to the Board on 28 February 2018. Dr. Xie does not hold any other position with the members of the Group.

Dr. Xie is an independent economist based in the PRC and is a columnist for publications including South China Morning Post, The New Century Weekly (renamed as Caixin) and Bloomberg where he published his articles analyzing and consulting on global economics and financial markets. Dr. Xie was named as one of the "50 most influential persons in finance" by Bloomberg in 2013.

Dr. Xie has 20 years expertise in financial services and has extensive financial management experience in the fields of corporate finance. From December 2007 to December 2010, Dr. Xie served as an independent non-executive director of Shenzhen Development Bank Co., Ltd* (深圳發展銀行股份有限公司), which was listed on the Shenzhen Stock Exchange (stock code: 000001). Dr. Xie worked for Morgan Stanley from July 1997 to September 2006 and held the role of managing director. He was working in the capacity of a managing director in the research division of Morgan Stanley in Hong Kong before his departure. Prior to joining Morgan Stanley, Dr. Xie worked for Macquarie Bank in Singapore as an associate director from 1995 to 1997.

Dr. Xie received his master's degree of science in transportation and a PhD in Philosophy (in the field of economics) from Massachusetts Institute of Technology in September 1987 and June 1990, respectively.

Dr. Xie did not hold directorships in any listed public companies in the last three years.

Mr. Lu Zhifang (陸志芳**)** ("**Mr. Lu**"), aged 64, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. He was appointed to the Board on 28 February 2018. Mr. Lu does not hold any other position with the members of the Group.

Mr. Lu is a registered lawyer in China, and is currently a senior partner of East & Concord Partners (北京天達共和律師事務所). Mr. Lu was a senior partner of Haiwen Law Firm (海問律師事務所) from 1994 to 2008 and a partner of Beijing Hylands Law Firm (北京浩天信和律師事務所) from 2009 to 2014. Mr. Lu also has more than 20 years experience in international commercial arbitration, which, among others, he served as an arbitrator of China International Economic and Trade Arbitration Commission. From 1991 to 1994, Mr. Lu worked at the law school of University of International Business and Economics as an associate professor, and served as deputy director of the International Economic Law Department of University of International Business and Economics from 1986 to 1994.

Mr. Lu graduated from Beijing University of International Business and Economics (北京對外貿易學院) with a diploma in English in January 1978, and received his master's degree in laws from the University of California in December 1983.

Mr. Lu did not hold directorships in any listed public companies in the last three years.

SENIOR MANAGEMENT

The following table presents certain information concerning the senior management of our Group.

Name	Age	Year Joined	Position
Ms. Cao Xiaoping (曹曉萍)	64	2008	Vice president and chief financial officer
Mr. Zhang Kongyu (張孔瑜)	56	2010	Vice president and chief technology officer
Mr. Yan Bingli (顏炳利)	54	2004	Vice president
Mr. Ma Xuexiang (馬學祥)	63	2012	Vice president
Ms. Qian Xiaoning (錢曉寧)	44	2007	Vice president, Board secretary and joint company secretary
Mr. Liu Qingbo (劉青波)	44	2004	Vice president
Mr. Lu Jing (陸景)	56	2011	Vice president
Ms. Ma Zhuo (馬卓)	43	2006	Vice president

Ms. Cao Xiaoping (曹曉萍**)** ("**Ms. Cao**"), aged 64, is the vice president and chief financial officer of the Company. Ms. Cao joined the Group in June 2008. Ms. Cao was appointed as the chief financial officer of the Group in March 2010.

Ms. Cao is primarily responsible for finance and accounting, budget and investment related matters of the Group. Ms. Cao also serves as the chairman of Jiangxi Jinggangshan Boqi Environmental Technology Co., Ltd.* (山西井岡山博奇環保科技有限公司) ("**Jinggangshan Boqi**"), a director of Shanxi Bo Yuan Qi Cheng Environmental Equipment Service Co., Ltd.* (山西博源奇晟環保設備服務有限公司) ("**Shanxi Bo Yuan**") and the chairman of Beijing Boqi Environmental Remediation Tech Co. Ltd* (北京博奇環境修復科技有限公司).

Ms. Cao has over 30 years of experience in accounting and financial management. Prior to joining the Group, Ms. Cao served as the chief accountant of Angang Construction Consortium Co., Ltd (鞍鋼建設集團有限公司) from November 2000 to June 2008. Ms. Cao was the deputy section chief (副科長) of the finance department of Ansteel Group Corporation (鞍鋼集團) and later served as the deputy director and director from February 1985 to November 2000.

Ms. Cao graduated from Dongbei University of Finance and Economics (東北財經大學) with a master's degree in accounting in March 1999. She became a qualified senior accountant in the PRC in December 1997.

Ms. Cao did not hold directorship in any listed public company in the last three years.

Mr. Zhang Kongyu (張孔瑜**)** (“**Mr. Zhang”**), aged 56, is the vice president and chief technology officer of the Company and joined the Group in March 2010. Mr. Zhang started as the vice chief engineer with Beijing Boqi and later was appointed as the vice president and a technical director, the general manager of department of research and development and the general manager of department of production and technology of Beijing Boqi. Mr. Zhang is mainly responsible for technology development, introduction and technology cooperation and responsible for overall technology strategy the Company. For positions with other members of the Group, Mr. Zhang serves as the general manager of Beijing Shengyi and as the supervisor of Beijing Boqi and Zhejiang Boqi.

Prior to joining the Group, Mr. Zhang was the chief engineer of Shanghai Nature Power Technology Co. Ltd (上海納泉電力科技有限公司) from January 2004 to February 2010. During the period from July 2000 to June 2003, Mr. Zhang was the technical director of SEC-IHI Power Generation Environment Protection Engineering Co., Ltd* (上海石川島脱硫工程公司). Mr. Zhang served as director of design of Shanghai Future Environment Engineering Co., Ltd.* (上海未來環境工程有限公司) from January 1995 to July 2000. Mr. Zhang served as the design engineer of Shanghai Metallurgy Mining Machinery Factory* (上海冶金礦山機械廠) from 1989 to 1995. Mr. Zhang also served as a technician of Shanghai Petrochemical General Factory* (上海石油化工總廠) from 1987 to 1989.

Mr. Zhang graduated from Shanghai University of Technology with a bachelor’s degree in mechanical manufacturing in 1983.

Mr. Zhang did not hold directorships in any listed public companies in the last three years.

Mr. Yan Bingli (顏炳利**)** (“**Mr. Yan**”), aged 54, is the vice president of the Company and joined the Group in October 2004. Since joining the Group, Mr. Yan has held various positions including the engineer of department of engineering and the general manager of Yangcheng project, a project director, the general manager of department of operation and maintenance, the general manager of department of sales and marketing and the general manager of department of operational planning and information management of Beijing Boqi. Mr. Yan is primarily responsible for operational planning, information management and internal control of the Company. Mr. Yan does not hold any other position with the members of the Group.

Mr. Yan obtained the diploma in power engineering management in Northeast Dianli University (東北電力學院) in April 1998.

Mr. Yan did not hold directorships in any listed public companies in the last three years.

Mr. Ma Xuexiang (馬學祥) ("**Mr. Ma**"), aged 63, is the vice president of the Company and joined the Group in August 2012. Mr. Ma is primarily responsible for overseeing project construction and managing quality and safety. Prior to joining the Group, Mr. Ma was the chief operation officer, the assistant general manager and minister of the department of engineering of Angang Steel Construction Group Company Ltd. (鞍鋼建設集團有限公司), from November 2000 to August 2012, where he was mainly responsible for managing project construction and managing project quality and safety. Mr. Ma joined Angang Group (No. 2) Construction Corporation* (鞍鋼集團第二建築工程公司) in May 1983, and has held various positions including technician, team leader and assistant manager and general manager between 1983 and 2000. Mr. Ma has also served as a technician of People's Liberation Army Corps of Engineers infrastructure 002 troops (中國人民解放軍基建工程兵002部隊) since December 1972.

Mr. Ma obtained the diploma in cogenerating from the Changchun Metallurgical Construction School* (長春冶金建築學校) in September 1977.

Mr. Ma did not hold directorships in any listed public companies in the last three years.

Ms. Qian Xiaoning (錢曉寧) ("**Ms. Qian**"), aged 44, is the vice president, Board secretary and joint company secretary of the Company and joined the Group in February 2007. Ms. Qian is primarily responsible for managing human resources, legal compliance issues, administration and Board matters. Since joined the Group, Ms. Qian has held various positions including general manager of legal department, general manager of business department of the Board, general manager of human resource department, Board secretary and vice president of Beijing Boqi. Ms. Qian is also a director of Beijing Bosheng Environmental SCI-TECH Co., Ltd.* (北京博聖環保科技有限公司), the supervisor of Shanxi Puzhou Boqi Environmental Technology Co., Ltd.* (山西蒲州博奇環保科技有限公司) ("**Puzhou Boqi**"), Shanxi Hejin Boqi Environmental Technology Co., Ltd.* (山西河津博奇環保科技有限公司) ("**Hejin Boqi**"), Anhui Nengda and Jinggangshan Boqi and the general manager of Shanxi Bo Yuan.

Prior to joining the Group, Ms. Qian was a securities transaction representative (證券事務代表) of Yongyou Network Technology Co., Ltd. (用友網絡科技股份有限公司) (previously known as 用友軟件股份有限公司, a listed company on the Shanghai Stock Exchange, stock code: 600588), an enterprise management software and cloud service provider in the PRC, from 2001 to February 2007. During the time from July 1996 to August 1997, Ms. Qian worked at the legal department of CITIC Group (previously known as China International Trust Investment Corporation).

Ms. Qian graduated from China University of Political Science and Law in July 1996 with a bachelor's degree in economic law. Ms. Qian obtained a master's degree in economic law from China University of Political Science and Law in June 2006 and a master's degree in business administration from Chinese University of Hong Kong in December 2010.

Ms. Qian did not hold directorships in any listed public companies in the last three years.

Mr. Liu Qingbo (劉青波) (“**Mr. Liu**”), aged 44, is the vice president of the Company and joined the Group in April 2004. Since joining the Group, Mr. Liu has held various positions including the engineer of Environmental Technology Development Center, the debugging manager, a manager of customer training, the deputy general manager of operation and maintenance center, the general manager of management department of project operation and maintenance, the general manager of operational business unit, and the minster of department of project management and an assistant of president of Beijing Boqi. Mr. Liu is mainly responsible for overseeing the operation and maintenance of projects of the Company. Mr. Liu also serves as a director of Hejin Boqi, Puzhou Boqi and Changjizhou Boqi Environmental Technology Co., Ltd.* (昌吉州博奇環保科技有限公司).

Prior to joining the Group, Mr. Liu was the design engineer of electric control department of Tongfang Shareholding Co., Ltd.* (同方股份有限公司), a provider of environmental consulting solutions in the areas of fuel gas desulfurization, denitrification and dedusting, from July 2001 to April 2004, where Mr. Liu was responsible for designing solutions in relation to fuel gas treatment by way of desulfurization and denitrification.

Mr. Liu graduated from Tsinghua University with a bachelor’s degree in thermal energy and power engineering in June 1998, and obtained a master’s degree in thermal engineering from Tsinghua University in June 2001.

Mr. Liu did not hold directorships in any listed public companies in the last three years.

Mr. Lu Jing (陸景) (“**Mr. Lu**”), aged 56, is the vice president of the Company and joined the Group in March 2011. Since joining the Group, Mr. Lu has held various positions including an assistant for the president and the general manager of department of information, the general manager of Jianan subcontracting department (建安分包部), the vice president and the general manager of marketing and sales center of Beijing Boqi. Mr. Lu is primarily responsible for marketing development and sales. Mr. Lu does not hold any other position with the members of the Group.

Prior to joining the Group, for the period from November 2004 to June 2010, Mr. Lu served as an assistant manager of Great Wall Computer Software & Systems Inc* (長城計算機軟件與系統有限公司), a company mainly engaged in information safety business. Mr. Lu also served at the computer room of 57th Institute of the General Staff Council of People’s Liberation Army (總參第五十七研究所電腦室) from July 1983.

Mr. Lu obtained a bachelor’s degree in applied computer science from PLA Engineering Technology College (人民解放軍工程技術學院) in July 1983.

Mr. Lu did not hold directorships in any listed public companies in the last three years.

Ms. Ma Zhuo (馬卓) (“**Ms. Ma**”), aged 43, vice president of the Company, joined the Group in March 2006. Since she joined the Group, Ms. Ma served several positions in the Company, such as the general manager of the Operating Planning Department, general manager of the Financial Management Center, deputy director of the tender and supervision committee, general manager of the internal control department, general manager of the President’s Office, general manager of the Information Management Department, assistant to the president and vice president. Ms. Ma is primarily responsible for marketing strategy and promotion, brand management and client servicing of the Company. Ms. Ma does not hold any other positions in other members of the Group.

Prior to joining the Group, Ms. Ma worked at the Electricity Business Quality Management Center under the State Electricity Regulatory Commission (國家電力監管委員會電力業務資質管理中心) responsible for the financial auditing of power plants from October 2005 to March 2006. During the period from August 2004 to September 2005, Ms. Ma served as the chief financial officer of Xuji Lianhua International Environmental Engineering Co., Ltd. (許繼聯華國際環境工程有限公司), being responsible for finance, taxation, investment and financing analysis and application for recognition as a High and New Technology Enterprise of the Company. During the period from July 1998 to July 2004, Ms. Ma worked at Beijing Sifang Automation Co., Ltd. (北京四方繼保自動化股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601126) mainly engaging in development and research, production, sales and technical service of products for automation of power station, relaying protection, automation of power plants. Ms. Ma served as the senior manager of the finance department, business manager of the market department and general manager of the credit control department respectively, in charge of finance accounting and taxation, regional agents and large customers and contract risks control.

Ms. Ma graduated from North China Electric Power University (華北電力大學) with a bachelor's degree in accounting in July 1998. Ms. Ma obtained a Master Degree of Executive Master of Business Management of Cheung Kong Graduate School of Business in September 2010.

Ms. Ma did not hold any other directorships in any listed public companies in the last three years.

JOINT COMPANY SECRETARIES

Ms. Qian Xiaoning (錢曉寧), aged 44, is a joint company secretary of our Company. She was appointed as the joint company secretary of the Company on 13 February 2017. Ms. Qian's biographical details are set forth in the paragraph headed "Senior Management" above.

Ms. Wong Wai Ling (黃慧玲) ("**Ms. Wong**"), aged 37, is a joint company secretary of our Company. She was appointed as the joint company secretary of the Company on 13 February 2017.

Ms. Wong has over 13 years of experience in providing company secretarial services in Hong Kong. Ms. Wong currently is an assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SW Corporate Services Group Limited, she worked as the secretarial officer of KCS Hong Kong Limited, a corporate service provider, from May 2008 to February 2011. During the period from July 2003 to May 2008, Ms. Wong worked at Grant Thornton (an international accounting firm). Ms. Wong was admitted as associate of The Hong Kong Institute of Chartered Secretaries and was elected as association of The Institute of Chartered Secretaries and Administrators in the United Kingdom in July 2013.

Ms. Wong was awarded a bachelor's degree of Arts in Marketing and Public Relations from The Hong Kong Polytechnic University (香港理工大學) in October 2007, and obtained a master degree of Corporate Governance degree from The Open University of Hong Kong (香港公開大學) in December 2011.

科技
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Technology
Creates
New Environment

Management Discussion and Analysis

The Group is committed to the development of the environmental protection industry. As an independent flue gas treatment integrated services provider, the Group is principally engaged in flue gas treatment business, which falls within three segments, namely flue gas desulfurization, flue gas denitrification and dust removal under different business models. The Group also provides waste water treatment service to coal-fired power plants, and will continuously expand its existing comprehensive environmental protection business to coal-fired power plants to provide energy conservation and environmental protection solutions to customers by focusing on zero waste water discharge and detoxification treatment of solid waste. The Group also provides its services through various business models including concession operations, operation and maintenance ("**O&M**") and environmental protection facility engineering ("**EPC**").

I. INDUSTRY OVERVIEW

The PRC's rapid industrialization and continuous growth in fossil fuel consumption has serious impact on environmental protection. The PRC government has become increasingly concerned about environmental issues such as pollution.

In August 2017, the Ministry of Environmental Protection issued *Implementation Opinions on Promoting the Third-Party Treatment of Environmental Pollution* (《關於推進環境污染第三方治理的實施意見》), which requires the exploration of implementing a restricted time limit for third-party treatment. To pilot implementation of a restricted time limit for third-party treatment in key regions such as the Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta, environmental protection departments can order for third-party treatment within a restricted time limit with respect to pollutant-discharged units which discharge pollutants beyond the discharge standards or the limit set forth in the requirements.

In October 2017, the Reports of the 19th National Congress of the Central Committee of the Communist Party of China proposed to focus on solving prominent environmental problems, continue to carry out the action plan for prevention and control of air pollution, speed up the prevention and control of water pollution, implement the comprehensive treatment of watershed sanitation and offshore areas, solidify the control and remediation of soil pollution, strengthen the prevention and control of agricultural diffused pollution and the disposal of solid waste and garbage.

In March 2018, Premier Li Keqiang put forward the proposal in the Report on the Work of the Government of China to reduce the emission volume of SO_2 and NOx by 3% during the year. Since a number of national and local regulations and policies have been promulgated for raising the standard for emission and promoting environmental treatment, it is expected that the energy-saving environmental industry will have rapid development and become a pillar industry for the Chinese economy by 2020. Environmental industries including new energy cars, renewable energy, desulfurization and denitrification are likely to benefit from such policy and target implementation. According to an independent research report issued by Frost & Sullivan (the "**Frost & Sullivan Report**"), significant amount of capital is expected to be invested in projects relating to the energy industry (including the power industry) in the PRC in the foreseeable future.

In 2017, the Chinese government intensively promoted the structural reform of the supply and reduction of excessive production capacity, which on one hand, improved the overall operation conditions and capital positions of traditional industries such as steel and cement, and on the other hand, restricted the expansion of the production scale of such industries. In light of better operation conditions and limits to expand their production scale, traditional industries such as steel and cement will allocate more capital in areas such as environmental protection and energy conservation, while industries engaging in atmospheric pollution prevention, water pollution prevention and solid waste consolidated utilization are expected to usher in a new round of rapid growth.

According to the Frost & Sullivan Report, boosted by favourable government policies, the market capacity of environmental protection facility (flue gas desulfurization and denitrification and dust removal) engineering market maintains a stable growth and is expected to continue to grow by 2021. Further, due to many stricter standards for emission of coal-fired power plants, many coal-fired power plants are pursing the goal of achieving the “ultra-low emission” as gas-fired power plants. The market size of “ultra-low emission” engineering reached and will reach the peak value in 2017 and 2018. According to the Frost & Sullivan Report, cumulative market size between 2016 and 2021 is RMB154.2 billion.

Market-oriented operation and maintenance of desulfurization/denitrification projects is one of the major trend in recent years. Professional third-party treatment companies possess richer experience in operation, maintenance and more abundant technical expertise compared with power plants. With the increasing marketization degree in the coming years, the penetration rate of third-party treatment is expected to keep rising. According to the Frost & Sullivan Report, it is expected that by 2021, the penetration rate of cumulative installed capacity in operation of desulfurization and denitrification under the operation and maintenance model in China would reached 16.5%. Meanwhile, boosted by favourable government policies, the market has witnessed increasing recognition and effective promotion of the concession operation model in the industry of environmental protection for coal-fired power plants. The desulfurization and denitrification concession operations are expected to grow steadily with a penetration rate to reach 15.7% and 15.5%, respectively, by 2021.

II. BUSINESS REVIEW

The Group commenced the flue gas treatment business in 2003 and is among the first independent participants in the flue gas treatment industry in China. The services of the Group cover the whole industry-chain of the flue gas treatment industry, from project designing, equipment procurement and facilities construction to operation and maintenance and concession operation of flue gas treatment facilities. Moreover, the projects of the Group have a broad geographic coverage, covering almost 30 provinces, municipalities and autonomous regions in China. Furthermore, the Group has been expanding its business overseas, including in Europe, South Asia, Latin America, Africa and Southeast Asia.

The following map shows the distribution of the projects of the Group within the PRC as at 31 December 2017:

In addition, as at 31 December 2017, the Group had also implemented, or were implementing, more than ten projects in regions outside the PRC, such as Europe, South Asia, Latin America, Africa and Southeast Asia.

As an independent flue gas treatment integrated services provider, the Group provides innovative technologies and quality services which aim to reduce the SO_2 and NOx emissions of coal-fired power plants and offer flue gas desulfurization, flue gas denitrification and dust removal services, as well as other pollution control solutions to our customers. For the 2017 Financial Year, the businesses of the Group fall within three segments, namely flue gas desulfurization, flue gas denitrification and dust removal services, under different business models. The Group enters into project contracts with coal-fired power plants and other customers for the provision of services mainly based on three business models: the EPC, the O&M business and concession operations (which includes BOT and TOT). The Group uses different business models for different projects in its desulfurization, denitrification and other flue gas treatment businesses in an effort to comply with general market practices or to meet customer's expectation or to take advantage of certain favorable government policies.

EPC

The typical EPC business primarily involves project design, procurement of equipment and materials, project construction and equipment installment services in relation to SO_2 or NOx emission control and dust removal for power plants. The Group acts as the primary contractor and is responsible for the design of the client's project; procurement and selection of various environment protection materials and equipment from domestic and overseas suppliers; construction subcontracting and overseeing of the project construction and equipment installment work; testing, inspection and trial operation of the facilities; and delivery of finished project to the client upon its completion after inspection by the competent government authority or independent third parties or customers.

As at 31 December 2017, the cumulative installed capacity contracted for newly built EPC projects (including desulfurization, denitrification and dust removal projects) of the Group reached 2,000 MW and the cumulative installed capacity contracted for upgrade EPC projects of the Group reached 3,235 MW. The total contract value of newly contracted EPC projects, including newly built and upgrade project, amounted to RMB712 million for the 2017 Financial Year. Among which, we have made a breakthrough in EPC projects in non-electricity fields and have entered into contract for our first ultra-low emission project in the petrochemical industry, namely the Shanghai Petrochemical Boiler Ultra-low Emission Upgrade Project and the Group's first flue gas desulfurization project in the electrolytic aluminium industry, namely the flue gas desulfurization system engineering of Aluminum Company I（鋁業一公司）and Aluminum Company VI（鋁業六公司）of Zouping Hongmao New Materials Technology Co., Ltd. (鄒平縣宏茂新材料科技有限公司) of Shandong Province. As at 31 December 2017, the Group had 14 EPC projects under construction. The following table sets forth the status of the EPC projects under construction as at 31 December 2017:

Environmental Protection Facility Engineering projects under construction	Type of project	Newly built/ upgraded	Date of contract *(Year/ Month)*	Aggregate contract value) *(RMB millions)*	% of construction completed[1]
Shentou Electric Power Phase II Desulfurization System and WESP Project	Desulfurization and dust removal	Newly Built	2014/12	354.41	8.74%[2]
Beihai Desulfurization Project	Desulfurization	Newly built	2015/11	149.57	0.00%[2]
Shouyang Green Island Project	Green Island	Newly built	2015/12	287.56	30.52%[2]
Binzhou Phase II Dust Removal Project	Dust removal	Upgraded	2016/4	29.68	99.05%
Shangqiu Desulfurization Project	Desulfurization	Newly built	2016/6	85.88	67.05%
Phase II Desulfurization EP Project in Serbia	Desulfurization	Newly built	2016/9	90.20	1.6%
Seawater Desulfurization System and Equipment Supply Project in Pakistan	Desulfurization	Newly built	2016/11	90.77	55.99%
Xinjiang New Energy #1–2 Unit Desulfurization Project	Desulfurization	Newly built	2016/12	71.80	2.04%[2]

Environmental Protection Facility Engineering projects under construction	Type of project	Newly built/ upgraded	Date of contract *(Year/ Month)*	Aggregate contract value) *(RMB millions)*	% of construction completed[1]
Shanghai Petrochemical Boiler Ultra-low Emission Upgrade Project	Green Island	Upgraded	2017/3	224.63	75.57%
Gaoqiao Denitrification System Supplies Procurement Project	Denitrification	Upgraded	2017/4	16.99	56.15%
Nanyang Desulfurization Project	Desulfurization	Newly built	2017/3	167.77	4.81%
Sinopec Shanghai #3–4 Unit Desulfurization Project	Desulfurization	Upgraded	2017/9	91.12	0.00%
Flue-gas desulfurization system construction for Aluminum Company I of Zouping Hongmao New Material Technology Co., Ltd. (鄒平縣宏茂新材料科技有限公司鋁業一公司煙氣脱硫系統工程)	Desulfurization	Upgraded	2017/11	1.976	0.00%
Flue-gas desulfurization system construction for Aluminum Company VI of Zouping Hongzheng New Material Technology Co., Ltd.(鄒平縣宏正新材料科技有限公司鋁業六公司煙氣脱硫系統工程)	Desulfurization	Upgraded	2017/11	2.191	0.00%

Notes:

(1) represents the percentage of completion as measured by the proportion that construction costs incurred for work performed to date relative to the estimated total construction costs.

(2) the construction of the project is temporarily on hold, subject to further adjustments of construction plans, pursuant to the instruction by the relevant government authorities.

O&M

The O&M services mainly include operation service and regular maintenance service for desulfurization and denitrification facilities owned by the customers. The Group acts as a contractor providing desulfurization, denitrification and dust removal operation services and the work scope involves the full operation, repair, upgrade and maintenance of flue gas treatment system/facilities owned by power plants. Under the O&M projects, the customers are either charged by a service fee for the O&M services calculated based on the total amount of on-grid electricity generated during the service period, or a price pre-determined at the commencement of the project based on the scope of work performed. Revenues from the O&M business can generate recurring revenue stream and stable cash flow for the Group.

During the 2017 Financial Year, the Group acted as a contractor under the O&M projects providing desulfurization, denitrification and dust removal operating services, and the scope of business included full-process operation, upgrading and maintenance of flue gas treatment system/facilities of coal-fired power plants. Regular maintenance services included provision of technical support, regular maintenance, facilities testing, maintenance services and spare parts services for flue gas facilities. The Group renewed 89% of the O&M contracts that expired in the 2017 Financial Year. As at 31 December 2017, the Group had 14 O&M projects under operation with an aggregate installed capacity of 19,680 MW. The following table sets forth the installed capacity and status of the O&M projects of the Group under operation as at 31 December 2017:

Project name	Type of project	Starting date of service *(Year/Month)*	Expiring date of service contract(1) *(Year/Month)*	Installed capacity
Anshun Flue Gas Desulfurization O&M Project	Desulfurization	2007/11	2018/12	2*300MW
Yangcheng #1–6 Unit Flue Gas Desulfurization O&M Project	Desulfurization	2008/7	2018/8	6*350MW
Yangcheng #7–8 Units Flue Gas Desulfurization O&M Project	Desulfurization	2008/6	2018/8	2*600MW
Yangcheng #7–8 Unit Slag Removal O&M Project	Slag removal	2009/6	2018/8	2*600MW
Kuche Flue Gas Desulfurization O&M Project	Desulfurization	2012/12	2020/12	2*330MW
Bulian Flue Gas Desulfurization O&M Project	Desulfurization	2013/4	2018/3	2*660MW
Qinzhou Desulfurization O&M Project	Desulfurization	2015/7	2018/6	2*630MW+ 2*1000MW
Guotai Flue Gas Desulfurization, Denitrification and Slag Removal O&M Project	Denitrification, desulfurization and slag removal	2015/11	2018/6	2*350MW
Jingjiang Flue Gas Desulfurization and Dust Removal O&M Project	Desulfurization and dust removal	2016/3	2018/3	2*660MW
Tianjin SDIC Jinneng Power Plant Desulfurization. WESP and Water Intake System Operation and Cleaning Project	Desulfurization	2016/8	2020/12	4*1000MW
Serbian Flue Gas Desulphurization O&M Project	Desulfurization	2017/5	2018/5	2*350MW
Yangxi Flue Gas Desulfurization and Denitrification O&M Project	Desulfurization and denitrification	2017/1	2025/12	2*660MW+ 2*600MW

Project name	Type of project	Starting date of service *(Year/ Month)*	Expiring date of service contract[1] *(Year/ Month)*	Installed capacity
Chengde Desulfurization O&M Project	Desulfurization	2017/5	2018/5	2*350MW
Anshun #1–2 Units Maintenance and Repair Service Project	Desulfurization	2017/9	2018/8	2*300MW

Note:

(1) the Group may further renew the service contract with customers upon expiration of the service contract based on its negotiation with respective customers

Concession Operation Business

Under the concession operation business model, the Group is responsible for the financing, investment, construction and upgrade of a project according to the concession contract with the customer. In general, the concession projects are funded by the Group's own capital or borrowings from local banks. After the completion of constructions, the Group also owns the project assets and operates the project for a period pre-defined in the concession agreement, which is typically 15 to 20 years, and the Group is entitled to collect revenues generated from the project during the term of the contract. Revenues generated by the concession operation business during the operation phase of the relevant projects are calculated based on the on-grid power generation of the customer using the unit price specified in the concession contract during the operation phase, which is generally settled with the customers on a monthly basis. The Group also generates revenues from the sales of by-products during the operation of the environmental protection facilities. The fees the Group receives for the provision of concession services under the concession contracts typically include a service fee based on a guaranteed minimum flue gas treatment volume and such fees are contingent subject to adjustment of certain variable cost the Group incurred. Such tariff subsidy for the power consumption pre-determined at the time the concession agreement has been entered into with the client.

In 2017, the Group continued to carry out its concession operation business, including desulfurization, denitrification and Green Island (which is an integrated flue gas treatment system synergic treatment of flue gas pollutants produced by the boilers of coal-fired power plants, including denitrification, desulfurization, dust removal, induced-drafted fan system, reheating system.). As at 31 December 2017, the Group cumulatively undertook six concession operation projects with one under construction and five in operation. Among which, the acquisition of Xinjiang Shenhuo BOT Project has further optimized the business structure of the Group and enhanced the profitability of the Company, which demonstrated the significance of the Group's development in regional markets such as Xinjiang.

Project name	Installed capacity	Type of project	Newly built/ upgraded	Total investment *RMB millions*	Date of signing contract *(Year/ Month)*	Ending date of concession period *(Year/ Month)*
Jiangxi Jinggangshan BOT Project	2*300MW + 2*660MW	Desulfurization	Newly built	223.74	2008/1 (for Phase I) 2008/8 (for Phase II)	2030/7 (for Phase I) 2030/12 (for Phase II)
Shanxi Hejin BOT Project	2*350MW	Denitrification	Newly built	89.93	2012/6	2033/9 (for Unit #1) 2033/5 (for Unit #2)
Shanxi Puzhou Phase I BOT Project	2*300MW	Denitrification	Newly built	84.40	2012/6	2034/1 (for Unit #1) 2033/5 (for Unit #2)
Shanxi Puzhou Phase II BOT Project	2*350MW	Desulfurization	Newly built	111.88	2014/5	End of 2037
Shanxi Yuguang BOT Project	2*300MW	Green Island	Upgraded	82.36	2015/5	2036/2 (for Unit #1) 2035/5 (for Unit #2)
Xinjiang Shenhuo BOT Project[(1)]	4*350MW	Green Island	Upgraded	490.07	2017/6	End of 2032

Note:

(1) For Xinjiang Shenhuo BOT Project, the Group acquired certain flue gas desulfurization, denitrification and dust removal facilities, which in turn upgrade at the Group's own expenses. The Group expects to recover its investments in the acquisition and upgrading of the relevant facilities through the service fees it charges during the subsequent concession operation period.

III. FINANCIAL POSITION AND OPERATING RESULTS

The overall operating results of the Company for 2017 improved substantially as compared with 2016 and the financial conditions of the Company for 2017 maintained steady which strongly supported the Company's strategic development. As one of the Group's strategies, the operating revenue remained stable while the proportion of businesses with higher gross profit increased. After deduction of the effects from change in fair value of convertible ordinary shares, the profit improved as compared to that of 2016, as the Group continued to optimize capital structure, the asset-liability ratio was maintained at a comparatively low level, and cash flows and bank credits are abundant enough to lay a solid foundation for the Company's development. In 2017, the Company benefited from the enhanced environmental management and the increased emission standard in the PRC, the Group seized strategic opportunities in the PRC, including "ultra-low emission", "third-party treatment" policy and "One Belt One Road", and thus captured more domestic market shares, expanded its overseas market and changed development strategies. The Company successfully tapped into new areas of non-electric fields, including petrochemical, electrolytic aluminium and soil remediation, which further reinforced the comprehensive strength of the Company.

Revenue

The Group's total revenue amounted to RMB1,329 million for the 2017 Financial Year, decreased by 1.8% compared to RMB1,353 million for the 2016 Financial Year, primarily attributable to a decrease in revenue from the environmental protection facility engineering business of the Group, which was partially offset by increases in revenues from the operation and maintenance business and concession operation business of the Group.

The Group generates revenues primarily from three major segments: (i) the EPC business, (ii) the O&M business, and (iii) concession operation business. The following table sets forth a breakdown of the revenue of the Group by segment for the periods stated.

	Segment revenue	
	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
EPC	**555,261**	764,233
O&M	**402,815**	221,367
Concession operation	**340,477**	316,256
Others	**30,525**	51,099
Total	**1,329,078**	1,352,955

The revenue from the EPC business decreased by 27.4% from RMB764 million for the 2016 Financial Year to RMB555 million for the 2017 Financial Year, primarily due to the "ultra-low emission" upgrading projects that the Group undertook with relatively small contract value, and a decrease in the number of existing EPC projects in the 2017 Financial Year compared to the same period in 2016.

The Group's revenue generated from the O&M business increased by 82.4% from RMB221 million for the 2016 Financial Year to RMB403 million for the 2017 Financial Year, primarily due to the new O&M projects obtained by the Group in 2017 for large-scale electricity generating facilities.

Revenue from concession operation business increased by 7.6% from RMB316 million for the 2016 Financial Year to RMB340 million for the 2017 Financial Year as a result of increases in the revenue from operation of BOT projects and the commencement of operations of certain new projects upon completion of construction and upgrades.

Cost of Sales and Services

The Group's cost of sales and services decreased by 6.1% to RMB1,032 million for the 2017 Financial Year compared to RMB1,099 million for the 2016 Financial Year, primarily attributable to a decrease in cost of sales and services for the Group's EPC business, which was partially offset by an increase in costs of the Group's O&M business.

Cost of sales and services for the Group's EPC business consists primarily of equipment procurement costs and construction and installation costs. The cost of sales and services for the Group's EPC business decreased by 21.2% from RMB650 million for the 2016 Financial Year to RMB512 million for the 2017 Financial Year, primarily due to "ultra-low emission" upgrade projects the Company undertook with a relatively smaller contract value, and a decrease in the number of existing EPC projects as compared to 2016.

Cost of sales and services for the O&M services consists of raw materials costs, staff costs and repair and maintenance costs. The Group's cost of sales and services for the O&M services business increased by 62.4% from RMB170 million for the 2016 Financial Year to RMB276 million for the 2017 Financial Year, primarily due to the increase of raw material costs and staff costs resulting from the new O&M projects obtained by the Group in 2017 for large-scale electricity generating facilities.

Cost of sales and services for the Group's concession operation business consists primarily of raw material costs, construction costs and amortization and depreciation. The cost of sales and services for concession operation business decreased by 3.8% from RMB238 million for the 2016 Financial Year to RMB229 million for the 2017 Financial Year, primarily due to the completion of construction of newly built BOT by the Group in 2016, and the decrease in construction cost.

Gross Profit and Gross Profit Margin

Due to the increases in gross profits of concession operation business and O&M business, which were partially offset by a decrease in gross profit of EPC business, the Group's gross profit increased by 16.9% from RMB254 million for the 2016 Financial Year to RMB297 million for the 2017 Financial Year, while the gross profit margin increased from 18.7% for the 2016 Financial Year to 22.4% for the 2017 Financial Year.

The following table sets forth the Group's gross profit and gross profit margin for each of the business segments for the periods stated.

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	RMB'000	**Gross Profit Margin %**	RMB'000	Gross Profit Margin %
EPC	**43,072**	**7.8**	114,641	15.0
O&M	**126,756**	**31.5**	50,897	23.0
Concession operation	**111,452**	**32.7**	77,501	24.5
Others	**15,962**	**52.3**	10,607	20.8
Total	**297,242**	**22.4**	253,646	18.7

The gross profit for the Group's EPC business decreased by 62.6% from RMB115 million for the 2016 Financial Year to RMB43 million for the 2017 Financial Year, primarily due to a decrease in the Group's EPC revenue and a decrease in the Group's gross profit margin for certain EPC projects, which decreased from 15.0% for the 2016 Financial Year to 7.8% for the 2017 Financial Year.

The gross profit for the Group's O&M business increased by 149.0% from RMB51 million for the 2016 Financial Year to RMB127 million for the 2017 Financial Year, while the gross profit margin increased from 23.0% for the 2016 Financial Year to 31.5% for the 2017 Financial Year, primarily due to the new O&M projects of the Group for large-scale power generating facilities, which has a relatively higher gross profit margin.

The gross profit for the Group's concession operation business increased by 42.3% from RMB78 million for the 2016 Financial Year to RMB111 million for the 2017 Financial Year, while the gross profit margin increased from 24.5% for the 2016 Financial Year to 32.7% for the 2017 Financial Year, primarily due to (i) an increase in the service fees for the operation of certain BOT projects after the Company's completion of "ultra-low emission" upgrades, (ii) an increase in electricity generating hours, (iii) the relatively higher gross profit margin from newly operating BOT projects; and (iv) the lower rate of the increase in costs as compared to the growth rate of income in connection with the smooth operation of facilities after the completion of the "ultra-low emission" upgrade works.

Other Income and Other Gains and Losses

Other income and other gains and losses consist primarily of foreign exchange losses, interest income, government subsidies and grants and allowance for trade and notes receivables and their reversals.

The following table sets forth a breakdown of other income and other gains and losses for the periods stated.

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Interest income	**17,199**	7,543
Government grants	**11,554**	10,138
Rental income, net	**847**	947
Reversal of allowance for trade and notes receivables	**10,458**	10,692
Reversal of (provision of) allowance for other receivables	**(300)**	133
Allowance for inventories	**(484)**	(796)
Losses on disposal of property, plant and equipment	**(45)**	(67)
Foreign exchange losses	**(10,331)**	(4,107)
Others	**7,277**	3,914
	36,175	28,397

The Group's other income and gains increased by 28.6% from RMB28 million for the 2016 Financial Year to RMB36 million for the 2017 Financial Year, primarily attributable to an increase in interest income, which was partially offset by an increase in foreign exchange losses. Compared to the foreign exchange losses of RMB4 million for the 2016 Financial year, the Group recorded foreign exchange losses of RMB10 million for the 2017 Financial Year, primarily attribute to foreign exchange losses on the Group's USD-denominated deposits as a result of changes in the exchange rate of US dollars against Renminbi ("**RMB**").

Selling and Distribution Expenses

Selling and distribution expenses increased by 12.5% from RMB16 million for the 2016 Financial Year to RMB18 million for the 2017 Financial Year, primarily attributable to increases in staff costs and entertainment expenses relating to selling and marketing activities which reflects the Group's efforts to expand the business into new industries and new geographic regions.

Administrative Expenses

The Group's administrative expenses increased by 23.6% from RMB72 million for the 2016 Financial Year to RMB89 million for the 2017 Financial Year, primarily attributable to increases in staff cost, professional service expenses and research and development cost. An increase in staff costs was a result of increasing in the number and the average compensation of the administrative personnel of the Group. The increase in professional service expenses was primarily attributable to an increase in auditing expenses. The increase in research and development expenses primarily reflected the Group's increased research and development efforts.

Finance Costs

Finance costs of the Group consist of interest expense on bank borrowings. The Group's finance costs decreased by 16.7% from RMB6 million in 2016 to RMB5 million in 2017, primarily due to the repayment made by the Company in March 2017 to the working capital loan incurred towards the end of 2016 and a decrease in the balance of the project finance loan for the Group's BOT project resulting from the continued repayment.

Gearing Ratio

The gearing ratio is calculated as the percentage which the Group's total bank borrowings bears to the aggregate of the Group's equity. The Group's gearing ratio decreased from approximately 33.8% as at 31 December 2016 to approximately 16.9% as at 31 December 2017. The gearing ratio decreased as a result of the repayment of bank borrowings by the Company.

Change in Fair Value of Convertible Ordinary Shares

The Class B shares and Class C shares of the Company as financial liabilities are carried on the Group's consolidated statement of financial position at fair value, the change of which is recognized in the statement of profit or loss of the Group. The Group incurred fair value losses of RMB233 million for the 2017 Financial Year as a result of an increase in the fair value of Class B shares and Class C shares of the Company, and did not reflect negatively on the Group's operations and profitability. No cash outflow has incurred as a result of such fair value losses. Class B shares and Class C shares have been automatically converted into ordinary shares of the Company on 16 March 2018, which the Company's shares were listed on the Stock Exchange (the "**Listing**").

Listing Expenses

The Group incurred listing expenses of RMB14 million in connection with the Listing for the year ended 31 December 2017, which included the professional fees and other fees.

Income Tax Expenses

Certain subsidiaries of the Company are entitled to a preferential income tax rate of 15% as a "high-end new technology enterprise", and some of the other subsidiaries of the Company are entitled to a three-year tax holiday followed by a three-year 50% tax rate reduction as their operations fall within certain qualified environmental protection and energy conservation sections as defined by the PRC government. Other subsidiaries of the Company are subject to an income tax rate of 25% pursuant to the applicable PRC taxation law. The Company, which was incorporated in the Cayman Islands, is not subject to any Cayman Islands taxation.

Although the Group's profit before tax decreased from RMB193 million to RMB5 million from 2016 to 2017, the Group's income tax expense increased by 2.4% from RMB41 million in 2016 to RMB42 million in 2017, which is primarily due to the fair value losses that the Group incurred on Class B shares and Class C shares of the Company that were excluded from the deductible expenses in the calculation of the taxable income of the Group.

(Loss)/Profit for the Year

Primarily as a result of the fair value losses on Class B shares and Class C shares of the Company, the Group recorded a loss of RMB37 million for the 2017 Financial Year. Excluding the fair value losses on Class B shares and Class C shares of the Company, the adjusted profit of the Group would have increased to RMB196 million for the 2017 Financial Year compared to RMB152 million for the 2016 Financial Year.

Profit Attributable to the Owners of the Company

The profit attributable to the owners of the Company for the 2016 Financial Year was RMB152 million, compared to the loss attributable to the owners of the Company was RMB36 million for the 2017 Financial Year.

Liquidity and Capital Resources

Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Company, and the net proceeds from the Listing, and after diligent and careful investigation, the Directors are of the view that the Group have sufficient working capital required for the Group's operations at present and for the year ending 31 December 2018.

Cash flows

The following table sets forth the cash flow position in 2017 and 2016:

(RMB millions)	**For the year ended 31 December 2017**	For the year ended 31 December 2016
Net cash generated from operating activities	**265**	110
Net cash generated from (used in) investing activities	**38**	(318)
Net cash generated from financing activities	**58**	28
Net increase (decrease) in cash and cash equivalents	**361**	(180)

As at 31 December 2017, the Group's cash and cash equivalents increased by 98.0% to RMB689 million as compared with RMB348 million as at 31 December 2016. Such increase was mainly attributable to (1) the introduction of strategic investment and financial investment, and the increase in equity interest brought by financial investment and the issuance of new shares in 2017, partially offset by the repayment of bank borrowings; and (2) the increase in trade receivables and payment in form of notes, the decrease in pledged bank deposits.

Net cash from operating activities

Cash used in operating activities primarily represent cash used in operations of the Group for the purposes of purchases of equipment and other inventories, payments to suppliers and subcontractors, payments of expenses such as salaries and benefits and other fees and expenses, and tax payments. The cash generated from operation activities of the Group was mainly the cash that the Group received from customers for environmental protection products and services provided.

The Group's net cash generated from operating activities was RMB265 million for the 2017 Financial Year, consisting of cash generated from operations of RMB298 million, partially offset by income taxes paid of RMB33 million. The Group's operating cash inflows before movements in working capital was RMB242 million for the 2017 Financial Year. The positive adjustment for movements in working capital of RMB56 million was primarily attributable to an increase in trade and notes payables of RMB27 million, a decrease in amounts due from customers for contract work of RMB23 million in line with our billing progress, and a decrease in prepayments, deposits and other receivables of RMB20 million resulting from decreases in prepayments for project construction costs and project equipment purchase and prepayment for construction outsourcing fees, which were partially offset by decrease in other payables, deposits received and accrued expenses of RMB82 million due to the prepayments the Group received from customers for certain projects.

Net cash from investment activities

Cash flow from investing activities consists primarily of placement and withdrawal of pledged bank deposits.

The Group's net cash generated from investing activities was RMB38 million for the 2017 Financial Year, consisting primarily of withdrawal of pledged bank deposits of RMB443 million and the refund of deposits of RMB136 million for the proposed acquisition of certain environmental protection facilities upon the termination of the proposed acquisition, which were partially offset by placement of pledged bank deposits of RMB206 million, and advances to related parties of RMB140 million primarily attributable to the performance guarantee paid for a new O&M project, and cash paid for the purchase of intangible assets and costs capitalized under service concession arrangements of RMB187 million.

Net cash from financing activities

Cash generated from financing activities consists of cash received the issuance of Class C shares of the Company and the new bank borrowings raised by the Group, while cash used in financing activities was for the repayment of bank borrowings and interest payment.

The Group's new cash generated from financing activities was RMB58 million for the 2017 Financial Year, consisting primarily of proceeds of RMB80 million raised from new bank borrowings and proceeds raised from cash received from the issuance of Class C shares of the Company of RMB280 million.

Capital Expenditure

The capital expenditure of the Group comprise expenditures on the purchase of property, plant and equipment and the construction of BOT projects. For the 2017 Financial Year, the total capital expenditure of the Group was RMB116 million which were used primarily for the construction of concession operation projects and strategic mergers and acquisitions of the Group.

Pledge of the Group's Assets

As at 31 December 2017, the Group borrowed an aggregate amount of RMB127 million from banks, and bank borrowings of approximately RMB11 million were secured by the pledge of bank deposit or the right to the future income steam or the pledge of the concession arrangements for borrowings used in Jinggangshan Boqi's service concession arrangements.

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and pollution control policies

The Group provides substantially all of its environmental protection services to customers in the PRC, and the development of its businesses is greatly dependent on the environmental protection policies of the PRC. Environmental protection industry is one of the major industries that benefit from the constant support of the PRC governments. The demand for the Group's environmental protection services and the revenue generated therefrom are directly linked with the environmental protection requirements imposed on the current and potential customers of the Group. However, there can be no assurance that the specific favourable policies which are currently available will continue to exist. In addition, these policies and incentives may attract additional new market entrants and may encourage other products or services which may achieve greater pollution control effects than the products and services of the Group. There can therefore be no assurance that the Group will directly benefit from the changed industry policies. However, the Group, as a leader among independent flue gas treatment integrated services providers in the PRC, will capture market opportunities to further cover the overall industry chain of flue gas treatment and explore the potential markets to achieve the sustainable development of the Group's business. The Group will further expand its business scope based on the core competitive strengths of the Group in the flue gas treatment industry to become a comprehensive environmental protection industrial group.

Liquidity risks

Although the Group had positive operating cash flows for the 2017 Financial Year, it cannot assure that its operating cash flow for any future period will be positive. The Group's ability to generate adequate cash inflows from operating activities in the future will depend on project schedule and billing arrangement, its ability to collect receivables in timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations, the Group's growth prospects may be materially and adversely affected. Ultimate responsibility for liquidity risk management rests with the Directors, who have established an appropriate liquidity risk management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Credit risks

The credit risk primarily arises from trade and notes receivables, receivables under concession arrangement, other receivables and amounts due from related parties. Due to the nature of business of the Group, the Group has significant concentration of credit risk on a number of customers and the financial guarantee provided by the Group. As at 31 December 2017, the aggregated amount of the Group's trade and notes receivables to the top five customers was RMB225 million, representing 33.8% of the total trade and notes receivable of the Group as at 31 December 2017. In addition, the receivables under concession arrangements was RMB408 million as at 31 December 2017, which was due from one customer newly engaged during the 2017 Financial Year. Furthermore, the Group's concentration of credit risk by geographical locations is solely in the PRC. The Group has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. In respect of the trade and notes receivables and other receivables, individual credit evaluations are performed on all customers focusing on the customer's record of making payments when due and current payment abilities, together with the detailed information of the specific customer and the economic conditions regarding the industry in which the specific customer operates. The Group has established a collection team for each customer and require customers to settle progress billings and other debts in accordance with the terms of the agreements such customers have entered into.

Foreign exchange and conversion risks

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign exchange and conversion risks primarily through sales and procurement that are denominated in currencies other than RMB. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC Government.

The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

V. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

The Group seeks to strengthen its position as a leading flue gas treatment service provider in the PRC, and further expand the Group's market share to maximize shareholder returns. The Group also plans to expand its business into other environmental protection and energy conservation areas and contribute to the pollution prevention and control and energy conservation in the PRC and around the world. The Group is committed to becoming a world-class environmental industrial group. Looking forward to 2018, the Group would tackle both challenges and opportunities. The Group will leverage the listing and the support from "industry and capital" to realize the integration and promotion between capital and industry and achieve transformation in the Company's business and significant improvement in management and promote "internal" and "external" growth as the first step in becoming an integrated environmental protection industrial group. The Group commits to becoming a leading conglomerate in the environmental treatment service business among domestic and overseas markets, and establishing the Company as a "platform" integrated environmental protection company. Leveraging on our comprehensive understanding of the market environment, in 2018, the Group has planned to focus on the following tasks in order to achieve its goals:

Capturing the Market Opportunities Brought by the Government's "Ultra-low Emission" Policy

The Group seeks to capture the market opportunities arising from China's national "ultra-low emission" policy. Leveraging the extensive customer base and abundant business experience of the Group, the Group seeks to further cover the whole industrial chain of flue gas treatment. The Group would closely focus on the development of the third party treatment market, endeavor to tap into the market potential of the desulfurization and denitrification concession operation and O&M business and improve the proportion of third party treatment business within our major businesses, so as to achieve the sustainable development of our business. The PRC government has promulgated a series of environmental treatment polities, which brought significant impetus to the development of the relevant industries. In light of the favorable national policies, looking forward, the Group would put more focus on the expansion of flue gas third-party treatment markets, while it would strengthen the market overall planning, modify marketing strategies, increase our resource allocations, building up our professional image and brand, attach great importance to the maintenance of major customers, continuously offer training to marketing personnel in respect of technology knowledge, market analysis and sales techniques and improve the quality of tenders won.

Expanding the Business Scope of the Group with Core Competitive Strengths

The Group will continue to expand its business scope with competitive strengths. Looking to the future, the Group plans to extend its flue gas treatment industrial chain to other aspects of heavy metal treatment, VOC treatment and CO_2 capturing and collection in order to provide customers with integrated energy-saving and environmental protection solutions. Meanwhile, after Listing, leveraging strong capital strength, the Group entered the fields of municipal and industrial sewage treatment business and detoxification treatment of solid waste through various approaches, such as technology cooperation, investment, mergers and acquisitions, so as to build an integrated environmental industry group. In addition, supported with the resources of our shareholders in the industry, the Group would collaborate with research institutes on joint technology licensing so as to expand our "ultra-low emission" upgrade business in the fields of petroleum and petrochemicals, metallurgical, steel and coal chemicals.

Leveraging the Implementation of the "One Belt One Road" National Strategy to Explore the Overseas Markets

By leveraging the "One Belt One Road" strategy and the national "Green Finance" policy, the Group will explore overseas markets in countries alongside the "One Belt One Road", such as Turkey, Serbia, India, Russia, Indonesia, Vietnam and Pakistan. The Group would continue to reinforce our cooperation with overseas energy engineering companies and large-scale technology companies. The Group plans to explore overseas market based on current EPC and O&M model. In January 2018, the Group completed the structural adjustment of overseas business expansion. By establishing international business department, the Group would strengthen our overseas team building in terms of marketing, designing, purchasing and project executions, and accelerate our overseas talent base through talent introduction and internal cultivation, so as to satisfy our needs for overseas market development and enlarge our space for development in overseas market.

Continuing to Invest in Research and Development and Strengthening the Conversion of Policy Research Results and Technological Achievements

The Group will continue to invest in technology research and development and technology innovation by promoting the infrastructure of technology research and improving postdoctoral research station and technology center, to strengthen the cultivation and utilization of skilled talents, so as to make full use of the skills of the talents. By conducting multi-level, multi-channel cooperation and communication with external institutions in technology, the Group will closely monitor the latest development of the industry, establish the platform to acquire and monitor technology in different phases and different depth. The Group seeks to establish a pool of various technologies to provide technical support for development. By further improving the postdoctoral research station, the experimental research base and technology the Group has established, the Group will strengthen the infrastructure of technology research, improve its innovation capabilities and fully utilize the Group's strengths in technology as a high-tech enterprise. The Group will actively participate in the establishment of the national and industrial standards to strengthen its leading position in technology.

Final Dividend

The Board does not recommend the payment of a final dividend for the 2017 Financial Year (the 2016 Financial Year: RMB85,153,000).

Major Events in 2017

01

On 1 January, we undertook the operation and maintenance works for Guangdong Yangxi Power Plant #1–4 2*600MW + 2*660MW desulfurization and denitrification units.

中国石化
SINOPEC

On 11 January, Sinopec Group became a strategic shareholder of the Group.

03

On 1 March, we undertook the first Petrochemical industry ultra-low emission project is being the Shanghai Petrochemical Boiler ultra-low Emission upgrade project.

06

On 15 June, the Company undertook the first BOT Project with a self-supply power plant, being the ultra-low emission upgrade project of desulfurization, denitrification and dust removal of the flue gas unit of Xinjiang Shenhuo Coal Power Co., Ltd. with capacity of 4x350 MW.

07

On 17 July, Beijing Boqi Environmental Remediation Technology Co., Ltd., a joint venture owned as to 60% by Beijing Boqi, was established, and with our major project execution experience and industrial resources, it carried out our environmental service business of soil remediation and solid waste treatment. It undertook the first soil remediation project of the Group.

09

On 15 September, a subsidiary of Beijing Boqi was established in Xinjiang.

On 25 September, Changjizhou Boqi Environmental Technology Co., Ltd. was established.

On 17 November, Beijing Boqi Electric Power SCI-TECH Co., Ltd. Yangxi branch was established.

In December, the Company was awarded the "2017 China's Chemical Industry Atmosphere Governance Environmental Protection Enterprises Preferred Brand" (「2017年度中國化工行業大氣治理環保企業首選品牌」) and "2017 China's Top Ten Atmosphere Governance Environmental Protection Enterprises" (「2017年度中國大氣治理十大環保企業」).

11

12

On 16 November, the Company undertook the engineering work of flue gas oxidation process and flue gas desulfurization system of Aluminum Company I (鋁業一公司) and Aluminum Company VI (鋁業六公司) of the Zouping Hongmao New Materials Technology Co., Ltd. of Shandong Province (山東省鄒平縣宏茂新材料科技有限公司)).

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 March 2018 (the "**Listing Date**"). The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code during the period from the Listing Date to the date of this annual report (the "**Period**"). The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

As the Company was not yet listed on the Main Board of the Stock Exchange until the Listing Date, the CG Code was not applicable to the Company during the period under review. However, in the opinion of the Directors the Company has fully complied with the CG Code during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Period after making reasonable enquiry.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Directors' and Senior Management's Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify the Group's Directors and senior management for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

The Board currently comprises two executive Directors, namely Mr. Cheng Liquan Richard and Mr. Zeng Zhijun, three non-executive Directors, namely Mr. Tony Tuo Zheng, Mr. Zhu Weihang and Mr. Chen Xue and three independent non-executive Directors, namely Mr. Liu Genyu, Dr. Xie Guozhong and Mr. Lu Zhifang.

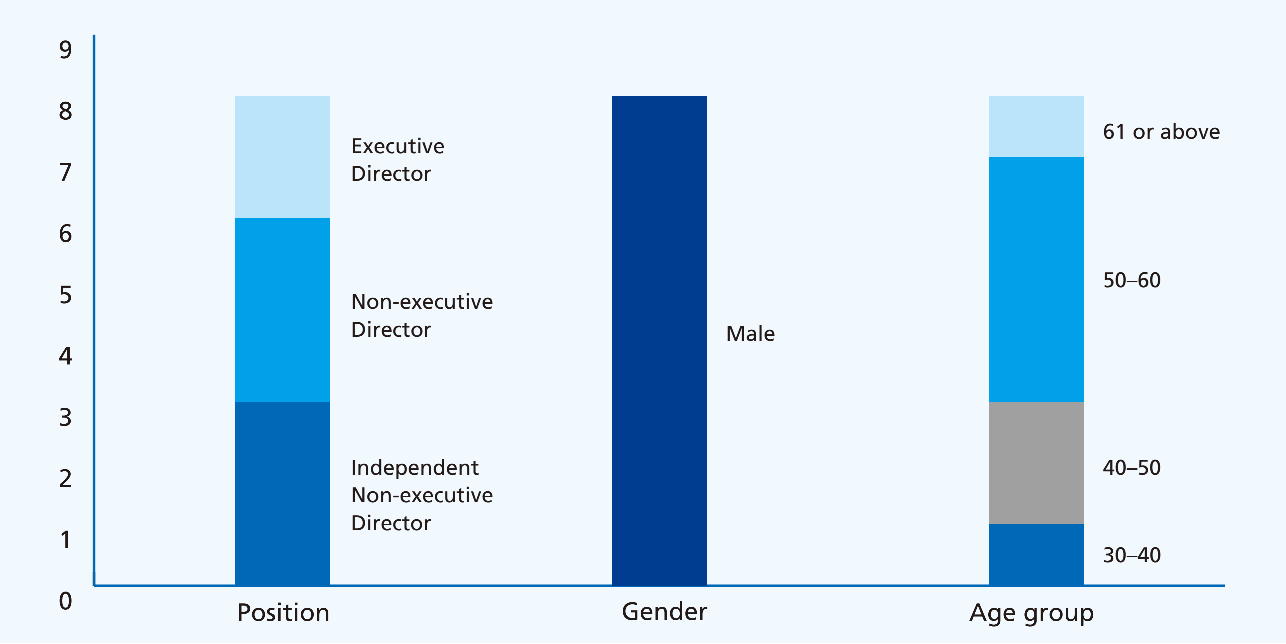
Since the Listing Date and up to the date of this annual report, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. Among the three independent non-executive Directors, Dr. Xie Guozhong has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The policy specifies that in designing the composition the Board, board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, educational background, professional experience, knowledge and skills.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 14 to page 18 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

In regards to the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, Directors have agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has been provided with necessary induction and information to ensure that he has a proper understanding of the Company’s operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations.

Prior to the Listing, each of Mr. Cheng Liquan Richard, Mr. Zeng Zhijun, Mr. Tony Tuo Zheng, Mr. Zhu Weihang, Mr. Chen Xue, Mr. Liu Genyu, Mr. Xie Guozhong and Mr. Lu Zhifang has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

All the Directors, namely Mr. Cheng, Mr. Zeng, Mr. Tony Tuo Zheng, Mr. Zhu Weihang, Mr. Chen Xue, Mr. Liu Genyu, Dr. Xie Guozhong and Mr. Lu Zhifang, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The positions of chairman and chief executive officer are held by Mr. Cheng and Mr. Zeng, respectively. The chairman provides the overall strategic planning and direction of the Group and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and the daily management and operations generally.

Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 28 February 2018.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 28 February 2018.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Company's amended and restated memorandum and articles of association, the Directors are subject to re-election at every annual general meeting. Shareholders of the Company entitled to vote at the annual general meeting for the election of Directors will elect a Board consisting of at least the minimum number of Directors set under the articles of association of the Company and all the Directors shall cease to hold office immediately before such election, but are eligible for re-election at such meeting.

The procedures and process of appointment, re-election and removal of directors are set out in the Company's amended and restate memorandum and articles of association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman and the chief executive officer.

Board Meetings

The Company adopts the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the Company with copies circulated to all Directors for information and records.

Minutes of the board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the board meetings are open for inspection by Directors.

Since the Listing Date and up to the date of this annual report, two board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attendance/ number of meetings held
Mr. Cheng Liquan Richard	2/2
Mr. Zeng Zhijun	2/2
Mr. Tony Tuo Zheng	2/2
Mr. Zhu Weihang	2/2
Mr. Chen Xue	1/2
Mr. Liu Genyu	2/2
Dr. Xie Guozhong	2/2
Mr. Lu Zhifang	2/2

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he has strictly complied with the Model Code since the Listing Date and up to the date of this annual report.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Period after making reasonable enquiry.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee comprises three members, namely Dr. Xie Guozhong (chairman), Mr. Liu Genyu and Mr. Tony Tuo Zheng, all of them are non-executive Directors and the majority are independent non-executive Directors. The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors.

Due to the fact that the Company was listed on 16 March 2018, no Audit Committee meeting was held during the year ended 31 December 2017.

Since the Listing Date and up to the date of this annual report, one meeting of the Audit Committee was held and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attendance/ number of meetings held
Dr. Xie Guozhong (Chairman)	1/1
Mr. Liu Genyu	1/1
Mr. Tony Tuo Zheng	1/1

The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Cheng Liquan Richard (chairman), Dr. Xie Guozhong and Mr. Lu Zhifang, the majority of them are independent non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in the management, and to assess the independence of the independent non-executive Directors.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

Due to the fact that the Company was listed on 16 March 2018, no Nomination Committee meeting was held during the year ended 31 December 2017.

Since the Listing Date and up to the date of this annual report, one meeting of the Nomination Committee was held on and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attendance/ number of meetings held
Mr. Cheng Liquan Richard (Chairman)	1/1
Dr. Xie Guozhong	1/1
Mr. Lu Zhifang	1/1

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

The Board has adopted a Board diversity policy (the "**Policy**") in accordance with the requirements of the Listing Rules with effect from 29 March 2018 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Lu Zhifang (chairman), Mr. Liu Genyu and Mr. Zeng Zhijun, the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee are to recommend the Board on the Group's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of the executive Directors and senior management.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Due to the fact that the Company was listed on 16 March 2018, no Remuneration Committee meeting was held during the year ended 31 December 2017.

Since the Listing Date and up to the date of this annual report, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attendance/ number of meetings held
Mr. Lu Zhifang (Chairman)	1/1
Mr. Liu Genyu	1/1
Mr. Zeng Zhijun	1/1

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Details of the remuneration by band of the members of senior management of the Company, whose biographies are set out on page 19 to page 23 of this annual report, for the year ended 31 December 2017 are set out in the Independent Auditor's Report on page 137 to page 139 of this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the 2017 Financial Year which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 92 to page 94 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis. The Company has implemented various internal control and risk management policies, including Asset Depreciation Provision Management Policy, Inventory Management Policy and Financing and Guarantee Management Policy. Furthermore, we also sponsor our internal control staff to attend risk management and internal control related trainings every year. The risk management and internal control policies are designed to help achieve business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The establishment of risk management and internal control systems is to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Company's operation planning department is responsible for the internal control and risk management of the Company's business operations. The internal audit department is responsible for the internal audit of the Company. The Company has also engaged external consultants to perform a review of the internal control and risk management systems of the Group. With the assistance of the external consultants, the operation planning department, the internal control department and the internal audit department of the Company, the Company is able to take mitigating and remedial measures to address the identified risks and such actions and measures are integrated in the day-to-day activities of the Group and their effectiveness is closed monitored. The internal audit, internal control and risk management systems and policies are reviewed by the Board on an ongoing basis in order to make it practical and effective in providing reasonable assurance in relation to the identification of business risks.

The Company has put in place a policy on handling and dissemination of inside information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exists to prevent the Company from breaching the statutory and listing rule disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

The Audit Committee assists the Board in the review, which covers operational, financial and compliance controls, internal audit and risk management functions, to maintain an adequate and effective internal control system to safeguard the interests of the shareholders and the assets of the Group. For the 2017 Financial Year, the Board conducted an annual review of the effectiveness of the internal control system of the Group by, including but not limited to, considering a written report prepared by the external consultants to the Audit Committee covering the above aspects. The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget during the year under review. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers that the current monitoring systems of the Company are effective and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. Company has complied with the requirements under C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control since 1 January 2017.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu ("**Deloitte**") was appointed as the Company's auditors to audit the financial statements of the Company for the year ended 31 December 2017 prepared in accordance with IFRSs and the PRC GAAP, respectively. Aggregate fees in respect of audit and audit-related services provided by Deloitte payable by the Company during the year ended 31 December 2017 were RMB5,500,000. During the year ended 31 December 2017, Deloitte did not provide any non-audit services to the Company.

JOINT COMPANY SECRETARIES AND PRIMARY CONTACT OF THE COMPANY

Ms. Qian Xiaoning was appointed as the joint company secretary of the Company on 13 February 2017. Ms. Qian's biographical details are set out in the section headed "Directors and Senior Management on page 21 of this annual report. As Ms. Qian Xiaoning does not possess the qualifications as stipulated under Rules 3.28 and 8.17 of the Listing Rules, the Company has applied for and has been granted a waiver by the Stock Exchange from strict compliance with those Listing Rules.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Wong Wai Ling, the assistant vice president of SW Corporate Services Group Limited (a company secretarial service provider), as its joint company secretary to assist Ms. Qian Xiaoning to discharge her duties as company secretary of the Company. Ms. Wong Wai Ling's primary contact person in the Company is Ms. Qian Xiaoning.

Ms. Qian Xiaoning is aware of the requirements of Rule 3.29 of the Listing Rules. Considering that the Shares were only listed on the Stock Exchange on 16 March 2018, Ms. Qian Xiaoning will comply with the requirements of Rule 3.29 of the Listing Rules for the year ending 31 December 2018. During the year ended 31 December 2017, Ms. Wong Wai Ling has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

GENERAL MEETING

Since the Listing Date and up to the date of this annual report, no general meeting was held. The annual general meeting (**"AGM"**) of the Company will be held on 15 June 2018.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

The AGM of the Company provides opportunity for shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its shareholders and maintains a website at http://www.chinaboqi.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. In 2018, the Company will focus more on the demands of investors and analysts, pay close attention to important policies of the environmental protection and energy conservation industry and allow timely access by the public to sufficient business information and recent developments of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

Procedures for shareholders to convene an extraordinary general meeting

According to Article 12.3 of the Articles of Association, general meetings can be convened on the written requisition of any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company deposited at the principal office of the Company in Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

If a shareholder of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("**Proposal**"), he/she should lodge a written notice setting out the Proposal and his/her contact details at the principal place of business of the Company or the Company's branch share registrar in Hong Kong**,** Tricor Investor Services Limited. The Proposal should include the biographical details of the proposed Director and a written notice signed by the proposed Director confirming his/her willingness to be elected, the accuracy and completeness of his/her biographical details.

Shareholders' inquires

If you have any query in connection with your shareholdings, please write to or contact the Company's Hong Kong share registrar, Tricor Investor Services Limited, at:

Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1066
Fax: (852) 2262 7584
Website: www.tricorglobal.com

Investor relations and communications

The Company has set up a website at www.chinaboqi.com as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner. The primary contacts of the Company are Ms. Zhu Beibei and Ms. Xu Na at (email: irhk@chinaboqi.com or tel: +86 10 59579665 or +86 10 59579509).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company have been amended and restated with effect from the Listing Date.

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

CORPORATE INFORMATION

Basic information about the Company is set out in the sections headed "Corporate Information" and "Company Profile" on page 2 to page 3 and page 12 of this annual report.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2015. The Company's shares were listed on the Stock Exchange on 16 March 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are providing independent flue gas treatment service and environmental protection solution service by various business models, including environmental protection facility engineering, operation and maintenance and concession operation.

The activities and particulars of the Company's subsidiaries are shown under note 42 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. The financial risk management objectives and policies of the Group can also be found in note 3 to the consolidated financial statements. In addition, a discussion on relationships with its key stakeholders is included in the section headed "Management Discussion and Analysis" in this annual report. The review forms part of this directors' report.

RESULTS

The consolidation results of the Group for the year ended 31 December 2017 are set out on page 95 to page 103 of this annual report.

FINAL DIVIDENDS

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2017.

FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last four financial years are set out on page 4 to page 7 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

On 16 March 2018, the Listing Date, the shares of the Company were listed on the Main Board of the Stock Exchange, pursuant to which 216,105,000 shares were issued by the Company at the offering price of HK$2.40 per share, with net proceeds of approximately HK$489 million, after deduction of underwriting commission and estimated expenses payable by the Company in connection with the Global Offering. As of the date of this annual report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the prospectus of the Company dated 28 February 2018.

Since the Listing Date and up to the date of the annual report, the net proceeds from the Listing were not applied for any use.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

For the year ended 31 December 2017, the Group's largest customers accounted for 14.8% of the Group's total revenue. The Group's five largest customers accounted for 49.3% of the Group's total revenue.

For the year ended 31 December 2017, the Group's largest suppliers accounted for 12.9% of the Group's total cost of procurement. The Group's five largest suppliers accounted for 32.8% (2016: 17.4%) of the Group's total cost of procurement.

For the year ended 31 December 2017, the Group's largest subcontractor accounted for 18.6% of the Group's total subcontracting costs. The Group's five largest subcontractors accounted for 52.1% (2016:55.4%) of the Group's total subcontracting costs.

Save as disclosed in the prospectus of the Company dated 28 February 2018 (the "**Prospectus**"), none of the Directors or any of their associates (as defined under Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2017 are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 31 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company were first listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's shares during the period from the Listing Date and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

As at 31 December 2017, there were no provisions for pre-emptive rights under the Articles of Association, which require the Company to offer new Shares to existing Shareholders in proportion to their shareholdings.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out on page 99 to page 101 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's distributable reserves were RMB504,141,000. (as at 31 December 2016: RMB622,896,000).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2017 are set out in note 28 to the consolidated financial statements.

LOAN AND GUARANTEE

During the year ended 31 December 2017, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management, its controlling shareholders being Mr. Cheng, Mr. Zeng, World Hero International Limited ("**World Hero**") and Best Dawn Limited ("**Best Dawn**") (collectively referred to as the "**Controlling Shareholders**") or his/her respective connected persons.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report were:

Executive Directors

Mr. Cheng Liquan Richard (*Chairman*)
Mr. Zeng Zhijun

Non-executive Directors

Mr. Tony Tuo Zheng
Mr. Zhu Weihang
Mr. Chen Xue

Independent Non-executive Directors

Mr. Liu Genyu
Dr. Xie Guozhong
Mr. Lu Zhifang

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on page 14 to page 23 in the section headed "Directors and Senior Management" to this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the period from their respective appointments and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 28 February 2018.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from 28 February 2018.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below, neither the Director nor any entity connected with the Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

PERMITTED INDEMNITY

Pursuant to the amended and restated memorandum and articles of association of the Company, every Director shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director of the Company. The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any Controlling Shareholder had a material interest subsisted during the year ended 31 December 2017.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 December 2017.

EMPLOYEES

The Group had 1,375 employees as at 31 December 2017, as compared to 1,335 employees as at 31 December 2016. The employees of the Company are employed under employment contracts which set out, among other things, their job scope and remuneration. Further details of their employment terms are set out in the employee handbook of the Company. The Company determines the employees' salaries based on their job nature, scope of duty, and individual performance. The Company also provides various benefits to the employees including medical care, housing subsidies, retirement and other benefits as well as on-the-job education, training and other opportunities to improve their skills and knowledge. The Company also provides employees with contributions to social insurance and housing provident fund for the employees in accordance with PRC regulations and the internal policies of the Company.

EMOLUMENT POLICY

The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 11 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was not listed on the Main Board of the Stock Exchange as at 31 December 2017, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("**SFO**") and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as at 31 December 2017.

As at the date of this annual report, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in our Shares, underlying Shares and debentures of our Company

Name of Director	Nature of Interest	Number and class of Shares	Approximate percentage of shareholding
Mr. Cheng Liquan Richard *(Notes 1 and 2)*	Interest of a controlled corporation; interests held jointly with another person *(Note 1)*	402,933,911 (Long Position)	39.86%
Mr. Zeng Zhijun *(Notes 1 and 3)*	Interest of a controlled corporation; interests held jointly with another person *(Note 1)*	402,933,911 (Long Position)	39.86%
Mr. Zhu Weihang *(Note 4)*	Interest of a controlled corporation; interests held jointly with another person *(Note 1)*	152,573,529 (Long Position)	15.09%

Notes:

(1) Mr. Cheng Liquan Richard and Mr. Zeng Zhijun have entered into an acting-in-concert arrangement, as such, Mr. Cheng and Mr. Zeng together control 39.86% equity interests in the issued share capital of our Company through World Hero, Asia Environment Investment Limited ("**Asia Environment**") and Best Dawn. Asia Environment is owned as to 47.2% by Mr. Zeng. Asia Environment is interested in 2.67% interest in the issued share capital of the Company, which Mr. Zeng is deemed to be interested in the Shares held by Asia Environment under Part XV of the SFO.

(2) Mr. Cheng holds the entire issued share capital of World Hero. Therefore, Mr. Cheng is deemed to be interest in the Shares held by World Hero under the SFO.

(3) Mr. Zeng holds the entire issued share capital of Best Dawn. Therefore, Mr. Zeng is deemed to be interested in the Shares held by Best Dawn under the SFO.

(4) The entire issued share capital of New Asia Limited ("**New Asia**") is held by Great Origin Ventures Limited ("**Great Origin**"), which in turn is held by Mr. Zhu. Therefore, Mr. Zhu is deemed to be interested in the Shares held by New Asia under the SFO.

Save as disclosed above, as at the date of this annual report, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company was not listed on the Main Board of the Stock Exchange as at 31 December 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the substantial shareholders of the Company as at 31 December 2017.

As at the date of this annual report, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Cheng Liquan Richard *(Notes 1 and 2)*	Interest of a controlled corporation; interests held jointly with another person *(Note 1)*	402,933,911 (Long Position)	39.86%
World Hero *(Note 2)*	Beneficial owner	168,134,580 (Long Position)	16.63%
Ms. Zhou Xuan *(Note 3)*	Interest of spouse	402,933,911 (Long Position)	39.86%
Mr. Zeng Zhijun *(Notes 1 and 4)*	Interest of a controlled corporation; interests held jointly with another person *(Note 1)*	402,933,911 (Long Position)	39.86%
Best Dawn *(Note 4)*	Beneficial owner	207,857,143 (Long Position)	20.56%
Ms. Ge Tong *(Note 5)*	Interest of spouse	402,933,911 (Long Position)	39.86%
New Asia	Beneficial owner	152,573,529 (Long Position)	15.09%
Great Origin *(Note 6)*	Interest of a controlled corporation	152,573,529 (Long Position)	15.09%
Mr. Zhu Weihang *(Note 6)*	Interest of a controlled corporation	152,573,529 (Long Position)	15.09%
Sinopec Overseas Investment Holding Limited ("**Sinopec**")	Beneficial owner	110,294,118 (Long Position)	10.91%
China Petroleum & Chemical Corporation *(Note 7)*	Interest of a controlled corporation	110,294,118 (Long Position)	10.91%

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Full Synergy Investment Limited ("**Full Synergy**")	Beneficial owner	56,508,715	5.59%
Partners Investment Management Limited *(Note 8)*	Interest of a controlled corporation	56,508,715	5.59%
Bullion Riches Limited *(Note 8)*	Interest of a controlled corporation	56,508,715	5.59%
Partners Financial Holdings Limited *(Note 8)*	Interest of a controlled corporation	56,508,715	5.59%
Bright Hope Globol Investments Limited *(Notes 8 and 9)*	Interest of a controlled corporation	56,508,715	5.59%
Wan Ten Lap *(Notes 8 and 9)*	Interest of a controlled corporation	56,508,715	5.59%
Zhang Yi *(Notes 8 and 9)*	Interest of a controlled corporation	56,508,715	5.59%

Notes:

(1) Mr. Cheng Liquan Richard and Mr. Zeng Zhijun have entered into an acting-in-concert arrangement, as such, Mr. Cheng and Mr. Zeng together control 39.86% equity interests in the issued share capital of our Company through World Hero, Asia Environment and Best Dawn. Asia Environment is owned as to 47.2% by Mr. Zeng. Asia Environment is interested in 2.67% interest in the issued share capital of our Company, which Mr. Zeng is deemed to be interested in the Shares held by Asia Environment under Part XV of the SFO.

(2) Mr. Cheng holds the entire issued share capital of World Hero, therefore, Mr. Cheng is deemed to be interest in the Shares held by World Hero under the SFO.

(3) Ms. Zhou Xuan (周旋) is the spouse of Mr. Cheng. Under the SFO, Ms. Zhou Xuan is deemed to be interested in the same number of Shares in which Mr. Cheng is interested.

(4) Mr. Zeng holds the entire issued share capital of Best Dawn, therefore, Mr. Zeng is deemed to be interested in the Shares held by Best Dawn under the SFO.

(5) Ms. Ge Tong is the spouse of Mr. Zeng. Under the SFO, Ms. Ge Tong is deemed to be interested in the same number of Shares in which Mr. Zeng is interested.

(6) The entire issued share capital of New Asia is held by Great Origin, which in turn is held by Mr. Zhu. Mr. Zhu is deemed to be interested in the Shares held by New Asia under the SFO.

(7) China Petroleum & Chemical Corporation holds the entire issued share capital of Sinopec. Therefore, China Petroleum & Chemical Corporation is deemed to be interested in the Shares held by Sinopec under the SFO. China Petroleum & Chemical Corporation is a PRC state-owned company whose H shares are listed on the Main Board (stock code: 386).

(8) Full Synergy, a company incorporated in the BVI on 2 April 2015, is an investment holding company and a wholly-owned subsidiary of Partners Investment Management Limited. Partners Investment Management Limited is wholly owned by Bullion Riches Limited, which in turn is wholly owned by Partners Financial Holdings Limited. Partners Financial Holdings Limited is a financial holding company, of which its subsidiaries are licensed corporations under the SFO holding type 1, type 4, type 6 and type 9 licences in Hong Kong. Full Synergy is the issuer of structured notes, of which one of the subscribers is a fund established in the PRC. Mr. Cheng, through World Hero subscribed approximately 2.96% of the limited partner interest in such fund. Mr. Cheng does not hold any interest in the general partner of the fund, and is not involved in the decision making process of the fund.

(9) Bright Hope Global Investments Limited and Wan Ten Lap owns 44% and 51%, respectively, of Partners Financial Holdings Limited, the holding company of Full Synergy. Zhang Yi in turns owns 100% of Bright Hope Global Investments Limited. Under the SFO, Bright Hope Global Investments Limited, Wan Ten Lap and Zhang Yi are deemed to be interested in the same number of Shares in which Full Synergy is interested.

Save as disclosed above, and as at the date of this annual report, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

COMPLIANCE WITH NON-COMPETITION DEED

Each of the Controlling Shareholders, namely Mr. Cheng, World Hero, Mr. Zeng and Best Dawn, has executed a deed of non-competition on 22 February 2018 pursuant to which they have irrevocably and unconditionally undertaken to the Company (for the Company itself and on behalf of the members of the Group) that, during the period that the Non-Competition Deed remains effective, he/it/she shall not, and shall procure that his/its/her close associates (other than any member of the Company) shall not, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Company in the PRC or any other area in which the Company carries on business.

The Company shall seek opinion and decision from the independent non-executive Directors who are responsible for reviewing and determining whether to accept or decline such new business opportunity provided by Controlling Shareholders or its associates.

The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with Controlling Shareholders".

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions are the non-exempt continuing connected transactions for the Group for the year ended 31 December 2017.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the continuing connected transactions of the Group as set out below are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has obtained approval from the Stock Exchange in respect of the annual caps of the non-exempt continuing connected transactions upon the Global Offering and such transactions were exempted from announcement and the independent Shareholders' approval requirement.

Design and EPC contracts with Sinopec

1. Technical Service Contract with Fushun Research Institute

Parties:	Beijing Boqi and Sinopec Fushun Petrochemical Research Institute of Petroleum and Petrochemicals (中國石油化工股份有限公司撫順石油化工研究院) ("**Fushun Research Institute**")
Term:	September 2017 to December 2019
Contract scope:	Beijing Boqi and Fushun Research Institute entered into a technical service contract ("**Technical Service Contract**") whereby Beijing Boqi provides technical service to Fushun Research Institute in relation to fluid catalytic cracking design for deep dust removal and defogging of regenerative flue gas. Beijing Boqi shall deliver design documents in both hard copy and electronic copy, assist onsite construction and participate in initial debugging work. The technical service provided by Beijing Boqi shall be completed on 31 December 2019, whereas the design work shall be completed within 30 days after signing the Technical Service Contract.
Technical service fee:	RMB500,000
Payment:	Within 30 days after signing the Technical Service Contract, Beijing Boqi shall provide to Fushun Research Institute with a detailed blueprint. It shall issue an invoice upon acceptance of such blueprint by Fushun Research Institute based on the standards set by Sinopec in relation to the standards of detailed engineering design of engineering devices. Within 45 days upon the receipt of such invoice, Fushun Research Institute shall pay the technical service fee to Beijing Boqi.
Confidentiality:	Beijing Boqi shall keep all information obtained under and in relation to the Technical Service Contract confidential.
Reasons for and benefits of the transaction:	This transaction will enhance the engineering design business of the Group and expand the Group's business opportunities with Sinopec and its group of companies for the Group to provide its wide range of services to market players of petro-chemical industry.

2. *Sinopec Shanghai EPC project*

Parties:	Sinopec Shanghai Petrochemical Company Limited (中國石化上海石油化工股份有限公司) ("**Sinopec Shanghai**") and Beijing Boqi.
Bid and contract scope:	On 7 February 2017, Beijing Boqi won a bid for an EPC project in connection with the upgrade of the desulfurization, denitrification and dust removal environmental facilities of a cogeneration power plant of Sinopec Shanghai for the purpose of meeting the "ultra-low emission" standards. On 1 March 2017, Beijing Boqi entered into an EPC contract with Sinopec Shanghai finalizing the winning bid whereby Beijing Boqi will act as the main contractor. The upgrade work involves project design, procurement of equipment and materials, project construction and installation of five boiler fuel gas denitrification facilities ("**Upgrade Project**").
Price:	The contract price is RMB224,626,000 (including tax) comprised of construction fee, installation fee, fee for procurement of equipment and raw materials.
Term:	The Upgrade Project is expected to be completed in December 2017.
Reasons for and benefits of the transaction:	This transaction will enhance the desulfurization, denitrification and dust removal business operations of the Group and expand the business opportunities with Sinopec and its group of companies for provision of flue gas treatment business to market players of petro-chemical industry.

3. *Gaoqiao Petrochemical EPC project*

Parties:	Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. (中國石化上海高橋石油化工有限公司) ("**Gaoqiao Petrochemical**") and Beijing Boqi.
Bid and contract scope:	On 24 March 2017, Beijing Boqi won a bid for an upgrade project in connection with the upgrade of denitrification facilities and boilers of the power plant of Gaoqiao Petrochemical ("**Gaoqiao Petrochemical EPC Project**") for the purpose of meeting the "ultra-low emission" standards. On 24 April 2017, Beijing Boqi and Gaoqiao Petrochemical entered into a contract finalizing the winning bid for the Gaoqiao Petrochemical EPC Project whereby Beijing Boqi will act as the main contractor.
Price:	The contract price is RMB16,990,000 (including tax).

Payment terms:	Payment will be made in four instalments. The first instalment of 15% of the contract price to be paid within 30 days after signing of the EPC contract and delivery and confirmation of the design blueprints. The second instalment of 25% of the contract price within 30 days of installation of the SCR system to the boiler facilities. The third instalment of 50% of the contract price to be paid within 90 days of the issuance of the certificate of compliance by the environmental department of the relevant government authority. The last instalment of 10% of the contract price within 30 days of expiry of the 18 months warranty period.
Term:	The SCR systems for each boiler facility shall be delivered on 6 May 2017, 30 May 2017, 6 July 2017, 30 July 2017 and 30 August 2017, respectively. According to the updated delivery schedule issued by Gaoqiao Petrochemical on 26 December 2017, the SCR systems for each boiler facility shall be delivered on 5 January 2018, 11 January 2018, 10 February 2018, 6 May 2018 and 6 June 2018, respectively.
Reasons for and benefits of the transaction:	This transaction will enhance the desulfurization, denitrification and dust removal business operations of the Group and expand the Group's business opportunities with Sinopec and its group of companies for provision of flue gas treatment business to market players of petro-chemical industry.

4. Sinopec Shanghai #3–4 EPC project

Parties:	Sinopec Shanghai and Beijing Boqi.
Bid and contract scope	On 14 August 2017, Beijing Boqi won a bid for an EPC project in connection with the upgrade of the #3–4 boiler of a cogeneration power plant of Sinopec Shanghai for the purpose of meeting the "ultra-low emission" standards ("**#3–4 Upgrade Project**") On 7 September 2017, Beijing Boqi entered into an EPC contract with Sinopec Shanghai finalizing the winning bid whereby Beijing Boqi will act as the main contractor, involves project design, procurement of equipment and materials, project construction and installation.
Price:	The contract price is RMB91,123,500.00 (including tax) comprised of construction fee, installation fee, design fee, fee for procurement of equipment and raw materials.
Term:	The construction of the #3–4 Upgrade Project is expected to complete on 31 March 2018.
Reasons for and benefits of the transaction:	This transaction will enhance the desulfurization, denitrification and dust removal business operations of the Group and expand the business opportunities with Sinopec and its group of companies for provision of flue gas treatment business to market players of petro-chemical industry.

Fushun Research Institute is a branch of China Petroleum & Chemical Corporation, the parent company of Sinopec Overseas Investment Holding Limited (中國石化海外投資控股有限公司), one of the substantial shareholders of the Company, whereas Sinopec Shanghai and Gaoqiao Petrochemical are fellow subsidiaries (as defined under the Listing Rules) of Sinopec, being owned as to 50.56% and 55%, respectively, by China Petroleum & Chemical Corporation, and each of them is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Given the above continuing connected transactions were all made with the group companies of China Petroleum & Chemical Corporation, the parent company of Sinopec, pursuant to which income shall be received by the Group in relation to the design and EPC services provided. Such transactions shall be aggregated in accordance with Role 14A.81 of the Listing Rules. The above transaction is entered into on normal commercial terms. Prior to the Listing, the Company had applied to the Stock Exchange and the Stock Exchange had granted the Company, a waiver from strict compliance with the rules regarding the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, on the condition that the aggregate amount of non-exempt continuing connected transactions with Sinopec for the year 2018 would not exceed the annual cap set out in the Prospectus.

Technology Licensing Contract

As part of the Upgrade Project, Beijing Boqi and Fushun Research Institute entered into a technology licensing contract ("**Technology Licensing Contract**") in 14 September 2017 pursuant to which Beijing Boqi was licensed to use certain patents and know-how of Fushun Research Institute for the purpose of carrying out of the Upgrade Project.

Parties:	Beijing Boqi and Fushun Research Institute.
Term:	5 years from the signing date of the Technology Licensing Contract.
Contract scope:	Beijing Boqi was licensed to use the patents and know-how of Fushun Research Institute for the carrying out of the Upgrade Project to achieve "ultra-low emission" standards. The patents and know-how relate to the denitrification catalyst and SCR technology. Beijing Boqi was licensed to use the patent and know-how from the signing date of the Technology Licensing Contract until December 2018, and shall use the patent and know-how within 365 days from the signing date of the Technology Licensing Contract. During the term of the Technology Licensing Contract, Beijing Boqi may make subsequent development in respect of the patent and know-how which it is licensed to use. The parties will enter into separate agreements in respect of the distribution of interests if any interests arised in relation to the development of patent and know-how.
Licensing fee:	Beijing Boqi shall pay RMB2,150,000 to Fushun Research Institute for its license to use the patents and know-how.
Payment:	The licensing fee shall be paid within 30 days after the signing of the Technology Licensing Contract.
Confidentiality:	Beijing Boqi is under the obligation of confidentiality in respect of the use of patents and know-how of Fushun Research Institute. Such obligation continues to survive 5 years after the termination of the Technology Licensing Contract and covers a broad range of areas in relation to the patents and know-how of Fushun Research Institute such as technology planning, technology design, special tools etc.

Fushun Research Institute is a branch of China Petroleum & Chemical Corporation, the parent company of Sinopec, one of the substantial shareholders of the Company, and is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The above transaction is entered into on normal commercial terms. Prior to the Listing, the Company had applied to the Stock Exchange and the Stock Exchange had granted the Company, a waiver from strict compliance three year term requirement for continuing connected transactions under Rule 14A.52 of the Listing Rules.

Shouyang Contract

Parties:	Beijing Boqi and Yangmei Group Shouyang Boqi Electric Co., Ltd (陽煤集團壽陽博奇發電有限責任公司) (previously known as Shanxi Shouyang Mingtai Guoneng Power Co., Ltd) (山西壽陽明泰國能發電有限公司) ("**Shouyang Power**")
Date:	Beijing Boqi entered into an EPC master contract with Shouyang Power in December, 2015 (the "**Shouyang Contract**") upon the successful bidding of a tender.
Project:	Shanxi Yangquan Coal Industry (Group) Company Limited Shouyang Mingtai Green Island General Contractor Project, with the capacity of 2*350 MW (the "**Shouyang Green Island Project**"). Under the Shouyang Green Island Project, Beijing Boqi will act as the main contractor, which involves, among others, project design, procurement of equipment and materials, construction and installment in relation to desulfurization and denitrification and dust removal for low calorific value thermal power plant.
Project Price:	The Shouyang Contract had a contract value of RMB287,560,000 (including tax).
Payment method:	Shouyang Power shall pay 10% of the contract value as pre- payment to Beijing Boqi within one month from the date the Shouyang Contract takes effect, and the remaining amount of the contract value will be paid monthly according to the progress of the Shouyang Green Island Project. 5% of the contract value will be paid by Shouyang Power to Beijing Boqi as quality guarantee after one year period when no quality issue is raised.
Reasons for and the benefits of the transaction:	Carrying out environmental protection facility engineering projects is the usual course of business of Company and entering into such transaction would enable us to consolidate the Company's market presence in the Shanxi Province where Shouyang Power is situated.

Shouyang Power, through various intermediaries, is 40% held by Mr. Cheng and Mr. Zeng, the ultimate controlling shareholders of the Company and is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The above transaction is entered into on normal commercial terms. Prior to the Listing, the Company had applied to the Stock Exchange and the Stock Exchange had granted the Company, a waiver from strict compliance with the rules regarding the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, on the condition that the respective aggregate amounts of non-exempt continuing connected transaction with Shouyang Power for the years 2018 and 2019 would not exceed the respective annual caps set out in the Prospectus.

Yangxi Project

On 31 December 2016, Beijing Boqi, Guangdong Huaxia Electric Development Co., Ltd (廣東華夏電力發展有限公司) ("**Guangdong Huaxia Electric**") and Yangxi Haibin Electric Power Development Co., Ltd (陽西海濱電力發展有限公司) ("**Yangxi Electric**") entered into a management service agreement ("**Yangxi Management Service Agreement**") in relation to the provision of operation, daily maintenance and repair services in respect of the #1-#4 desulfurization and denitrification facilities owned by Yangxi Electric ("**Yangxi Facilities**") prior to the completion of the acquisition of the Yangxi Facilities under the cooperation framework agreement dated 20 May 2016 entered into between the said parties ("**Cooperation Framework Agreement**"). On the same day, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into an ultra-low emission upgrade project cooperation agreement ("**Upgrade Project Cooperation Agreement**"), under which Beijing Boqi agreed to construct "ultra-low emission" units to #1-2 desulfurization and denitrification facilities of the Yangxi Facilities for Yangxi Electric. However, no similar arrangement was entered into in relation to #3-4 desulfurization and denitrification facilities as the "ultra-low emission upgrade units have already been constructed and completed by Yangxi Electric at the time the parties entered into the Upgrade Project Cooperation Agreement. On 1 January 2017, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric further entered into a supplemental agreement solely to determine the pricing terms of the Yangxi Management Service Agreement (the "**Yangxi Service Pricing Agreement**"). Due to an unexpected delay in the release of the mortgage on the Yangxi Facilities, the completion of the proposed acquisitions of the Yangxi Facilities under the Cooperation Framework Agreement was delayed, and it was agreed between Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric not to proceed with the proposed acquisitions of the Yangxi Facilities. Accordingly, on 28 August 2017, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into a supplemental agreement ("**Yangxi Supplemental Agreement**") under which, the proposed acquisitions of the Yangxi Facilities under the Cooperation Framework Agreement, were terminated. On the same day, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into a supplemental agreement (the "**Yangxi Supplemental Management Service Agreement**", together with Yangxi Management Service Agreement and the Yangxi Service Pricing Agreement as "**Yangxi Agreements**") to supersede and extend the term of the services under the Yangxi Management Services Agreement from 1 January 2017 to 30 September 2017 to a term from 1 January 2017 to 31 December 2025. Other provisions in relation to the services and ancillary services to be provided by Beijing Boqi under the Yangxi Management Services Agreement remain unchanged for the extended term.

Yangxi Agreements

Under the Yangxi Agreements, Beijing Boqi provides operation, daily maintenance and repair services in respect of the Yangxi Facilities to Yangxi Electric for a term from 1 January 2017 to 31 December 2025.

Parties:	Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric.
Term of the agreement:	1 January 2017 to 31 December 2025.
Services to be provided:	The services to be provided by Beijing Boqi include the operation, daily maintenance and repair of Yangxi Facilities. Beijing Boqi is also responsible for the materials used in the services provided as well as treatment of waste created during the provision of such services.
Service fee policy:	The service fee under the Yangxi Agreements is calculated based on the on-grid power generation multiply by a rate which is determined by the parties. The pricing terms of the Yangxi Agreements were determined under the Yangxi Service Pricing Agreement. Such pricing terms are arrived at on arm's length negotiations between Beijing Boqi, Yangxi Electric and Guangdong Huaxia Electric and are determined with reference to (i) the relevant subsidies with respect to desulfurization and denitrification as set by the government; and (ii) the fees and expenses in respect of the operation, management and maintenance of the desulfurization and denitrification facilities.
Payment obligation:	Yangxi Electric shall pay to Beijing Boqi the service fee within 15 days of Yangxi Electric receiving the electricity fee from the State Power Grid.
Performance guarantee:	Beijing Boqi shall pay to Yangxi Electric a performance guarantee in an amount of RMB139,000,000 for guaranteeing its work and performance under the Yangxi Agreements and safe operation of the Yangxi Facilities. The above performance guarantee is arrived at on arm's length negotiations between Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric and determined based on the estimated service fee to be received (i.e. the estimated on-grid power generation multiplied by a rate (10%) which is determined by the parties) multiplied by the term of the Yangxi Agreements (i.e. 8 years). Such performance guarantee has been paid to Yangxi Electric and shall be refunded to Beijing Boqi upon completion of the term of the Yangxi Agreements.
Ancillary charges:	Under the Yangxi Agreements, Beijing Boqi shall pay to Yangxi Electric before the 10th day of each month the ancillary charges, including relevant operation fees such as water, electricity, vapor, gas, environmental protection penalty and pollution tax fees and other relevant operational charges.

Upgrade Project Cooperation Agreement

On 31 December 2016, Beijing Boqi and Yangxi Electric entered into the Upgrade Project Cooperation Agreement, pursuant to which Beijing Boqi agreed to constrct the "ultra-low emission" upgrade units to #1–2 desulfurization and denitrification facilities of the Yangxi Facilites for Yangxi Electric. Pursuant to the Upgrade Project Cooperation Agreement, the ultra-low emission upgrade works conducted by Beijing Boqi include, among others, the upgrade of the desulfurization system, detection and repair of the absorption tower of #1–2 desulfurization and denitrification facilities of the Yangxi Facilities and the upgrade of model of the continuous emission monitoring system for the purpose of enabling Guangdong Huaxia Yangxi Power Plant to comply with the new "ultra-low emission" standards. The total contract value of the Upgrade Project Cooperation Agreement is RMB23,200,000 which consists of the design fee, the equipment fee and the construction and installation fee, and such fees will be borne by Beijing Boqi. Beijing Boqi will pay to Yangxi Electric certain compensations if (a) Beijing Boqi has caused delay in completing the ultra-low emission upgrade works under the Upgrade Project Cooperation Agreement; (b) Beijing Boqi is solely responsible for the non-compliance of the #1–2 desulfurization and denitrification facilities of the Yangxi Facilities with the ultra-low emission standards; and/or (c) Beijing Boqi has solely caused the halt or load decrement of #1-2 desulfurization and denitrification facilities of the Yangxi Facilities.

Reasons for and benefits of the transactions under the Yangxi Agreements and Upgrade Project Cooperation Agreement:

Since the issue of the *Action Plan of Energy Saving, Emission Reduction, Upgrading and Retrofitting of Coal-fired Power Plants (2014–2020)* which tightened the emission limits for newly-built coal-fired power plants in September 2014 and *the Proposals for Comprehensively Implementing the Ultra-low Emissions and Energy Conservation Upgrade of Coal-fired Power Plants* in December 2015, which requires the comprehensive implementation of "ultra-low emission" and energy conservation upgrade on coal-fired generator sets by 2020, coal consumption and pollution emission standards have been significantly tightened. To comply with such stringent standards, and minimize operational risk while also minimizing the costs to be incurred, notwithstanding that Yangxi Electric is capable of operating the Yangxi Facilities, Yangxi Electric engaged Beijing Boqi, being a leading independent flue gas treatment integrated service provider who have earned numerous highly recognised awards in the flue gas treatment industry, and having been already familiarized with the operations and facilities of Yangxi Electric, including the Yangxi Facilities, through the prior business dealings with Yangxi Electric in connection with the Yangxi Facilities as a result of the potential acquisition under the Cooperation Framework Agreement, to be the sole desulfurization and denitrification service provider for its power plant during the term of the Yangxi Agreements. Further, it is in the benefit of Yangxi Electric to retain only one desulfurization and denitrification service provider for the Yangxi Facilities for the purpose of minimizing costs and eliminating the need to manage a number of different service providers with different points of contact and who may use different quality management systems.

Provision of O&M services is the Company's usual course of business. By entering into the Yangxi Agreements and the transactions thereunder, Beijing Boqi will leverage its relevant professional experience and strengths in the operation, maintenance and management of the desulfurization and denitrification facilities and the "ultra-low emission" units, export its management experience and gain reasonable income and returns. The execution of the Yangxi Agreements is in line with the Group's overall strategy and business focus of engaging in the operation, management and maintenance of the desulfurization and denitrification facilities and the "ultra-low emission" units and will enhance the Company's market presence in Guangdong province. The enhancement of the Group's competitive edge in its core business is in the interests of the Group as a whole.

According to the *Notice on Issuing the Plan for Nationwide Implementation of Ultra-low Emissions and Energy Saving Reform on Coal-fired Power Plant* (《關於印發<全面實施燃煤電廠超低排放和節能改造工作方案>的通知》) (the "**Notice**"), the PRC government will give those coal-fired power plants, which satisfy ultra-low emissions standards, electricity price subsidies and generating rewards to encourage ultra-low emissions and energy saving reform in power plants. It is in the benefit of the Group to construct such "ultra-low emission" upgrade units in order to receive the "ultra-low emission" subsidy, which is obtained through the service fees in connection with its management and operation business. In this respect, under the Yangxi Agreements, the Group agreed to construct and pay the costs of constructing the "ultra-low emission" units for #1–2 facilities so that Guangdong Huaxia Yangxi Power Plant can comply with the new ultra-low emission standards and the Group can enjoy the "ultra-low emission" subsidy and electricity price subsidies. Upon the completion of the upgrade works, the newly constructed "ultra-low emission" units shall belong to Beijing Boqi and will not be pledged as part of the Yangxi Facilities. Beijing Boqi is accordingly entitled to the "ultra-low emission" subsidy generated by the said "ultra-low emission" units, which is calculated based on the "ultra-low emission" electricity price subsidy multiplied by a rate which is determined with reference to the costs of constructing the "ultra-low emission" units and the costs of operating and managing such "ultra-low emission" units in respect of desulfurization and denitrification facilities.

In connection with the "ultra-low emission" upgrade units to #3-4 desulfurization and denitrification facilities, for the purpose of securing the "ultra-low emission" subsidy in the form of service fee, in respect of the said "ultra-low emission" upgrade units which have been constructed and owned by Yangxi Electric, Beijing Boqi underwent negotiations with Yangxi Electric in respect of a potential arrangement to bear the costs and expenses for the construction of such "ultra-low emission" upgrade units. However, through a number of discussions and negotiations, Beijing Boqi and Yangxi Electric could not agree on the terms and calculation of the entitlement of the "ultra-low emission" subsidy and no such arrangement would be entered into between the two parties. Accordingly, Beijing Boqi will not be required to bear the costs of the "ultra-low emission" upgrade units to #3-4 desulfurization and denitrification facilities, and as a result, will not be entitled to the "ultra-low emission" subsidy generated by such units. On the other hand, Beijing Boqi's provision of services to Yangxi Electric's desulfurization and denitrification facilities (including #3-4 desulfurization and denitrification facilities) under the Yangxi Agreements and the fees to be received thereunder shall continue and remain unaffected.

Yangxi Electric is a wholly-owned subsidiary of Guangdong Huaxia Electric, which is owned and controlled by, through various intermediaries, Mr. Zhu Yihang, the brother and associate of Mr. Zhu, one of our substantial shareholders and is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The above transaction is entered into on normal commercial terms. Prior to the Listing, the Company had applied to the Stock Exchange and the Stock Exchange had granted the Company, a waiver from (i) strict compliance three year term requirement for continuing connected transactions under Rule 14A.52 of the Listing Rules and (ii) strict compliance with the rules regarding the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, on the condition that the respective aggregate amounts of non-exempt continuing connected transactions with Yangxi Electric for the years 2018, 2019 and 2020 would not exceed the respective annual caps set out in the Prospectus.

For details of the information with respect to the connected transactions mentioned above, please refer to the disclosure as set out in the section headed "Connected Transactions" of the Prospectus.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed each of the above mentioned continuing connected transactions and confirmed that:

1. the transactions stated in the section headed "— Exempt Continuing Connected Transactions" in this annual report have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole; and

2. the transactions and proposed annual caps stated in this section headed "— Non-exempt Continuing Connected Transactions" in this annual report have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

Due to the fact that the Company was listed on 16 March 2018, during the year ended 31 December 2017, no related party transactions disclosed in note 37 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

RELATED PARTY TRANSACTIONS

Please refer to note 37 to the consolidated financial statements in this annual report for details of the significant related party transactions pursuant to IFRSs. For the connected transactions and continuing connected transactions pursuant to the requirements of the Listing Rules, please refer to the disclosure as set out in the above section headed "Connected Transactions" in this report of Directors. Except for those disclosed in the section headed "Connected Transactions" in this report of Directors, the other related party transactions as disclosed in note 37 are not considered as connected transactions, or are exempt from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

MAJOR SUBSEQUENT EVENTS

The Company was successfully listed on the Main Board of the Stock Exchange on 16 March 2018.

The first goal for the Company's second-stage leaping development was achieved by bringing in important investors such as Yunnan Energy Investment (H K) Co. Limited upon Listing. In 2018, the Group will make full use of the Listing as a capital platform and leverage the strength of its capital to realize mutual integration and promotion between capital and industry and take a step forward to become a comprehensive environmental protection industry group.

The Group signed three new contracts during the period between January to March 2018 with a total contract amount of RMB152 million. The Group has won the tenders for five projects and is in the process of signing their contracts, among which, four are O&M projects and one is concession operation project. From January to March 2018, the Group made good progress in market development with positive overall operational conditions.

Save as disclosed in this annual report, there are no major subsequent events to 31 December 2017 which would materially affect the Group's operating and financial performance as of the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three members, namely Dr. Xie Guozhong, Mr. Liu Genyu and Mr. Tony Tuo Zheng. Dr. Xie Guozhong is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited financial statements of the Group for the 2017 Financial Year. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and the internal control with senior management members and the external auditor of the Company, Deloitte. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group's audited consolidated financial statements were prepared in accordance with accounting standards and fairly present the Group's financial position and results for the 2017 Financial Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 14 to Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 48 of this annual report. During the Period, the Company has fully complied with the CG Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITOR

The Shares were only listed on the Stock Exchange on 16 March 2018, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2017, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As an environmental protection service provider, the Group strictly abides by the laws and regulations relating to its business, including provision of services of environment protection and energy conservation, inspection of the pollutants and flue gas generated by coal-fired power plants. The Group is committed to protecting the environment and giving back to community and achieving sustainable growth. The achievements of the Group are based on constructing the mutual beneficial relations with our clients and employees and maintaining coexistence with ecological and social environment. The Group will continue to commit to its social responsibilities and exert its advantages as an environmental protection enterprise and make consistent efforts to forage an environment with blue sky and white clouds.

Details of the environment, social responsibilities and governance of the Company will be set out in the Environmental, Social Responsibilities and Governance Report ("**ESG Report**") to be issued by the Company separately pursuant to Rule 13.91 and Appendix 27 to the Listing Rules.

ANNUAL GENERAL MEETING

The AGM will to be held on Friday, 15 June 2018. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members will be closed from Tuesday, 12 June 2018 to Friday, 15 June 2018, both dates inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Monday, 11 June 2018. The record date for such purpose is Friday, 15 June 2018.

On behalf of the Board

Cheng Liquan Richard

Chairman

Hong Kong, 29 March 2018

Human Resources

Profile of Human Resources

As at 31 December 2017, the Group had 1,375 employees in total, substantially all of whom were based in the PRC. The Group has established labor union branches. Currently, the Group had entered into employment agreements with all employees, in which the position, duties, remuneration, employment benefits, training, confidentiality obligations relating to trade secrets, grounds for termination and other aspects are specified pursuant to PRC Labor Law and other relevant regulations.

The table below sets forth the number of employees as at 31 December 2017 by their functions:

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	85	6.18%
Engineering and technical personnel	170	12.36%
Sales personnel	27	1.96%
Research and development personnel	73	5.31%
Administrative and management personnel	39	2.84%
Manufacture personnel	981	71.35%
Total	**1,375**	**100%**

EMPLOYEE INCENTIVE

According to the business development requirements, the Company, by setting the arrival operational strategies and operational goals as guidance, market demand as direction, economic effectiveness as focus as well as technology research and development as support, established and improved the overall responsibility management system and the entire staff performance evaluation system for the purpose of improving the overall capabilities in respect of plan execution, project management and team cooperation. In order to inspire the potential and work enthusiasm of employees, to fully encourage the incentive and disciplined behaviour, and to lay a solid foundation for the orderly development of all the employees' careers, the Company delegates specific tasks in development planning to each department and employee, objectively and accurately evaluates and assess employees' job target completion efficacy from by setting position performance targets and performance standards, and realize awards according to the evaluation score and data.

The Employees Remuneration Policy

The remuneration package of the employees include salaries, bonuses and allowances. Our employees also receive supplementary medical provision, transportation allowances, meal allowances and other benefits. The Company carries out employee performance appraisals and establishes diversified and dynamic appraisal mechanisms. The department heads' salaries and remunerations will be adjusted corresponding to the results of their performance appraisals. Pursuant to applicable PRC regulations, the Company has contributed to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing funds for all its employees.

Training for Employees

In order to allure and retain quality employees and further enrich their knowledge, skill level and professionalism the Group places a strong emphasis on the training of its employees. The Group provides professional education, training and other opportunities for the management personnel and the employees to improve their professional skills and knowledge. We have developed and commenced exclusive training programs in design institutes, elite training in sales and marketing centers and the beginner training for fresh graduates.

In 2017, the Group conducted 48 training plan programs in the areas of operation management, professional techniques and productive skills, with 100% employees attending the trainings.

Protection of the Employees' Rights

The Group complies with the Labour Law of the PRC and the Labour Contract Law of the PRC in all material respects, including making contributions to social insurance and housing provident funds for its employees, among which the social insurance includes basic pension insurance, medical insurance, work-related injuries insurance, unemployment insurance and childbirth maternity insurance.

Independent Auditor's Report

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CHINA BOQI ENVIRONMENTAL (HOLDING) CO., LTD.
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Boqi Environmental (Holding) Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 95 to 184, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue from construction contracts	
We identified the revenue from construction contracts as a key audit matter due to the fact that the amount recognised is significant in these consolidated financial statements and the accounting treatments of which require significant estimations made by the management. The Group's revenue from construction contracts is recognised under the percentage of completion method when the outcome of a construction contract can be estimated reliably. The Group's management estimates both of the contract revenue and contract costs at the beginning for each contract, revises the estimates of both contract revenue and contract costs through regular review when the management considers there are changes in the assumptions throughout the contract period. Details of the related key estimation uncertainty are set out in note 4 to the consolidated financial statements.	Our procedures in relation to revenue from construction contracts included: • Testing controls relevant to our audit on budget preparation and revenue recognition of construction contracts; • Recalculating the percentage of completion on a sample basis; • Evaluating the reasonableness of the key assumptions adopted by the management in determining the total contract revenue and total contract costs, cross checking to the corresponding construction contracts and the respective budget; • Testing construction costs incurred during the year by tracing to supporting documentation; and • Visiting selected sites of construction on a sample basis to observe the existence of the construction work and interview the site project managers for the progress of the construction work.

Key audit matter	How our audit addressed the key audit matter
Determination of fair value of convertible ordinary shares	
We identified the determination of fair value of convertible ordinary shares as a key audit matter due to estimations incurred and different assumptions adopted by the management. In determining the fair value of convertible ordinary shares, the management considers a number of factors, including the dividends rights, liquidation preferences and conversion rights and other key unobservable inputs. Details are disclosed in notes 4 and 29 to the consolidated financial statements.	Our procedures in relation to determination of fair value of convertible ordinary shares included: • Interviewing the management to understand the details of the convertible ordinary shares and reviewing relevant subscription agreements, memorandum and articles of association and board meeting minutes; • Evaluating the appropriateness of the management's assessment of the contract terms and determining the related accounting implications, key factors and assumptions adopted; • Assessing the capability and independence of the independent qualified valuer; • Reviewing the valuation report prepared by the independent qualified valuer with the assistance of our internal valuation expert, identify the key assumptions and assess the reasonableness of the assumptions used; and • Evaluating the sensitivity analysis prepared by the management over the key assumptions.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements — continued

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements — continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	5	**1,329,078**	1,352,955
Cost of sales and services		**(1,031,836)**	(1,099,309)
Gross profit		**297,242**	253,646
Other income and other gains and losses	6	**36,175**	28,397
Selling and distribution expenses		**(18,318)**	(15,859)
Administrative expenses		**(88,892)**	(72,376)
Share of profit of an associate	16	**31,694**	14,833
Finance costs	7	**(5,333)**	(6,043)
Change in fair value of convertible ordinary shares	29	**(233,228)**	—
Listing expenses		**(14,114)**	(9,141)
Profit before tax		**5,226**	193,457
Income tax expense	8	**(42,255)**	(41,416)
(Loss) profit for the year	9	**(37,029)**	152,041
Other comprehensive income (expense) for the year:			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investment		**7,000**	(3,600)
Tax effect from change in fair value of available-for-sale investment		**(1,051)**	540
		5,949	(3,060)
Total comprehensive (expense) income for the year		**(31,080)**	148,981
(Loss) profit for the year attributable to:			
Owners of the Company		**(36,418)**	152,041
Non-controlling interests		**(611)**	—
		(37,029)	152,041

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(30,469)**	148,981
Non-controlling interests		**(611)**	—
		(31,080)	148,981
(Loss) earnings per share			
— Basic (RMB)	10	**(0.08)**	0.25
— Diluted (RMB)	10	**(0.08)**	0.25

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	12	**67,021**	33,421
Investment properties	13	**12,982**	13,616
Intangible assets	14	**425,140**	415,603
Receivables under service concession arrangement — non-current	15	**384,565**	—
Investment in an associate	16	**70,098**	51,755
Available-for-sale investment	17	**9,000**	2,000
Deposit paid for the acquisition of assets	37	**—**	136,000
Amounts due from related parties — non-current	37	**158,014**	18,472
Deferred tax assets	18	**21,995**	35,583
Total non-current assets		**1,148,815**	706,450
Current assets			
Receivables under service concession arrangement — current	15	**23,519**	—
Inventories	19	**25,429**	22,052
Amounts due from customers for contract work	20	**95,348**	117,978
Trade and notes receivables	21	**667,253**	732,991
Prepayments, deposits and other receivables	22	**70,176**	78,610
Amounts due from related parties — current	37	**70,405**	43,831
Pledged bank deposits	23	**54,383**	291,603
Bank balances and cash	24	**689,354**	348,341
Total current assets		**1,695,867**	1,635,406

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Current liabilities			
Trade and notes payables	25	**720,727**	693,739
Other payables, deposits received and accrued expenses	26	**405,489**	223,949
Amounts due to customers for contract work	20	**27,708**	16,261
Income tax payable		**17,719**	20,573
Other tax liabilities	27	**32,385**	26,802
Bank borrowings	28	**100,000**	296,254
Amounts due to related parties	37	**5,496**	133
Total current liabilities		**1,309,524**	1,277,711
Net current assets		**386,343**	357,695
Total assets less current liabilities		**1,535,158**	1,064,145
Non-current liabilities			
Bank borrowings	28	**27,000**	47,000
Class B and Class C convertible ordinary shares	29	**755,129**	—
		782,129	47,000
Net assets		**753,029**	1,017,145
Capital and reserves			
Paid-in capital /share capital	31	**32**	42
Reserves		**752,408**	1,017,103
Equity attributable to owners of the Company		**752,440**	1,017,145
Non-controlling interests	32	**589**	—
		753,029	1,017,145

The consolidated financial statements on pages 95 to 184 were approved and authorised for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Zhijun Zeng	**Liquan Cheng**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Paid-in capital/ share capital RMB'000 *(note v)*	Treasury shares RMB'000	Merger reserve RMB'000	Other reserve RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 *(note ii)*	Retained profits RMB'000	Investment revaluation reserve RMB'000	Sub-total RMB'000	Non-controlling Interests RMB'000	Total equity RMB'000
At 1 January 2016	371,500	–	–	2,143	54,915	120,827	527,437	2,716	1,079,538	–	1,079,538
Profit for the year	–	–	–	–	–	–	152,041	–	152,041	–	152,041
Other comprehensive expense for the year, net of tax	–	–	–	–	–	–	–	(3,060)	(3,060)	–	(3,060)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	152,041	(3,060)	148,981	–	148,981
Transfer to statutory surplus reserve	–	–	–	–	–	30,393	(30,393)	–	–	–	–
Cash received for ordinary shares issued upon reorganisation	40	–	–	–	–	–	–	–	40	–	40
Arising from the group reorganization *(note i)*	(371,500)	–	371,500	–	–	–	–	–	–	–	–
Deemed distribution to a shareholder *(note iii)*	–	–	–	(130,310)	–	–	–	–	(130,310)	–	(130,310)
Issuance of share awards *(note iv)*	2	(2)	–	–	–	–	–	–	–	–	–
Share-based payment	–	–	–	–	4,049	–	–	–	4,049	–	4,049
Dividend distribution	–	–	–	–	–	–	(85,153)	–	(85,153)	–	(85,153)
	(371,458)	(2)	371,500	(130,310)	4,049	30,393	(115,546)	–	(211,374)	–	(211,374)
At 31 December 2016	42	(2)	371,500	(128,167)	58,964	151,220	563,932	(344)	1,017,145	–	1,017,145

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Paid-in capital/ share capital RMB'000 *(note v)*	Treasury shares RMB'000	Merger reserve RMB'000	Other reserve RMB'000	Share premium reserve RMB'000	Statutory surplus reserve RMB'000 *(note ii)*	Retained profits RMB'000	Investment revaluation reserve RMB'000	Sub-total RMB'000	Non-controlling Interests RMB'000	Total equity RMB'000
At 1 January 2017	42	(2)	371,500	(128,167)	58,964	151,220	563,932	(344)	1,017,145	–	1,017,145
Loss for the year	–	–	–	–	–	–	(36,418)	–	(36,418)	(611)	(37,029)
Other comprehensive income for the year, net of tax	–	–	–	–	–	–	–	5,949	5,949	–	5,949
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(36,418)	5,949	(30,469)	(611)	(31,080)
Transfer to statutory surplus reserve	–	–	–	–	–	23,373	(23,373)	–	–	–	–
Redesignation of Class A ordinary shares to Class B convertible ordinary shares *(note vi)*	(8)	–	–	–	(201,329)	–	–	–	(201,337)	–	(201,337)
Repurchase of Class A ordinary shares *(note vii)*	(2)	–	–	–	(40,103)	–	–	–	(40,105)	–	(40,105)
Share-based payment	–	–	–	–	7,206	–	–	–	7,206	–	7,206
Contribution from Non-controlling interests	–	–	–	–	–	–	–	–	–	1,200	1,200
	(10)	–	–	–	(234,226)	23,373	(23,373)	–	(234,236)	1,200	(233,036)
At 31 December 2017	32	(2)	371,500	(128,167)	(175,262)	174,593	504,141	5,605	752,440	589	753,029

Notes:

(i) The amount represents the paid-in capital of Beijing Shengyi Tiancheng Environmental Technology Co., Ltd (the "**Beijing Shengyi**") acquired by the Company through the Group's reorganisation.

(ii) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "**PRC**"), the PRC subsidiaries are required to set aside 10% of their profit after tax as per statutory financial statements determined under the PRC laws and regulations for the statutory surplus reserve fund until the reserve reach 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners of the subsidiaries. The statutory surplus reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.

(iii) Deemed distribution represents the payment to one of the shareholders, China Boqi Environmental Engineering Co., Ltd. ("**Boqi Environmental Engineering**"). The payment was made by using the loan borrowed from a PRC bank's oversea branch.

(iv) The Company adopted a Pre-IPO share award scheme (the "**Pre-IPO Share Award Scheme**") on 15 April 2016, through which the Company designated 25,000,000 shares to Acheson Limited ("**Acheson**"), a trustee, to allow it sells shares at a predetermined price to the identified employees. As the Company has the control over Acheson, the shares hold by the trustee were consolidated and presented as treasury shares in the Group's consolidated financial statements.

(v) The paid-in capital/ share capital of the Group as at 1 January 2016 represents the paid-in capital of Beijing Shengyi and the total of the share capital of the Company and CBEE Holdings Co., Ltd. ("**CBEE**") respectively prior to the completion of the group's reorganisation.

(vi) On 9 January 2017, the Company redesignated 125,000,000 Class A ordinary shares which were owned by New Asia Limited ("**New Asia**") to Class B convertible ordinary shares.

(vii) Subsequent to the investment by Sinopec Overseas Investment Holding Limited ("**Sinopec**") and New Asia, on 11 January 2017, the Company, Mr. Cheng Liquan Richard ("**Mr. Cheng**"), World Hero, a shareholder of the Company which is wholly owned by Mr. Cheng, and Full Synergy Investment Limited ("**Full Synergy**"), the Company's financial investor, entered into a share transfer agreement whereby World Hero transferred 24,722,563 Class A ordinary shares in the Company to Full Synergy at the price of approximately RMB1.77 per share for a total consideration of the US dollars equivalent to RMB43,750,000. Immediately after the transfer, the Company agreed to repurchase the 24,722,563 Class A ordinary shares held by Full Synergy in consideration for the allotment and issue of 24,722,563 Class C-3 convertible ordinary shares to Full Synergy.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Cash flows from operating activities		
Profit before tax	**5,226**	193,457
Adjustments for:		
Finance costs	**5,333**	6,043
Change in fair value of convertible ordinary shares	**233,228**	—
Share of profit of an associate	**(31,694)**	(14,833)
Interest income	**(17,199)**	(7,543)
Profit from construction service under concession operation	**(820)**	(1,172)
Depreciation of property, plant and equipment	**6,454**	3,108
Depreciation of investment properties	**634**	635
Amortisation of intangible assets	**33,418**	31,638
Allowance for inventories	**484**	796
Reversal of allowance for trade and notes receivables	**(10,458)**	(10,692)
Allowance (reversal of allowance) for other receivables	**300**	(133)
Loss on disposal of property, plant and equipment	**45**	67
Share-based payment	**7,206**	4,049
Foreign exchange losses	**10,331**	4,107
Operating cash flows before movements in working capital	**242,488**	209,527
(Increase) decrease in inventories	**(3,861)**	8,530
Decrease in amounts due from customers for contract work	**22,630**	58,086
Decrease (increase) in trade and notes receivables	**76,196**	(85,409)
Decrease in prepayments, deposits and other receivables	**20,333**	1,213
Increase in amounts due from related parties	**(27,561)**	(17,835)
Increase (decrease) in trade and notes payables	**26,988**	(40,364)
(Decrease) increase in other payables, deposits received and accrued expenses	**(81,519)**	52,996
Increase (decrease) in amounts due to customers for contract work	**11,447**	(7,431)
Increase (decrease) in other tax liabilities	**5,583**	(3,582)
Increase (decrease) in amounts due to related parties	**5,363**	(8,401)
Cash generated from operations	**298,087**	167,330
Income taxes paid	**(32,572)**	(57,614)
Net cash generated from operating activities	**265,515**	109,716

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Cash flows from investing activities		
Placement of pledged bank deposits	**(206,066)**	(573,533)
Withdrawal of pledged bank deposits	**443,286**	490,631
Interest received	**17,199**	7,543
Dividend received from an associate	**13,351**	14,437
Purchase of property, plant and equipment	**(40,541)**	(2,643)
Proceeds from disposal of property, plant and equipment	**442**	79
Purchase of intangible assets and costs capitalised under service concession arrangements	**(187,160)**	(117,305)
Deposit refunded (paid) for the acquisition of assets	**136,000**	(136,000)
Advance to related parties	**(139,759)**	(1,365)
Repayment from related parties	**1,203**	172
Net cash generated from (used in) investing activities	**37,955**	(317,984)
Cash flows from financing activities		
Repayment of bank borrowings	**(298,530)**	(20,000)
New bank borrowings raised	**80,000**	269,766
Interest paid	**(5,333)**	(6,043)
Dividends paid	**—**	(85,153)
Contribution from non-controlling interests	**1,200**	—
Cash received from reorganisation	**—**	40
Deemed distribution to a shareholder	**—**	(130,310)
Cash received from convertible ordinary shares	**280,459**	—
Net cash generated from financing activities	**57,796**	28,300
Net increase (decrease) in cash and cash equivalents	**361,266**	(179,968)
Effects of exchange rate changes	**(20,253)**	1,394
Cash and cash equivalents at the beginning of year	**348,341**	526,915
Cash and cash equivalents at the end of year	**689,354**	348,341

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL

China Boqi Environmental (Holding) Co., Ltd. (previously known as China Boqi Engineering Co., Ltd.) (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 30 January 2015 of which its shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 16 March 2018. The addresses of the registered office of the Company and principal place of business of the Company and its subsidiaries (collectively referred to as the "**Group**") are disclosed in the section headed Corporate Information to the annual report. The Company's ultimate controlling shareholders are Mr. Cheng and Mr. Zeng Zhijun ("**Mr. Zeng**").

The Company is an investment holding company. The principal activities of the Group are providing independent flue gas treatment service and environmental protection solution service by various business models, including environmental protection facility engineering, operation and maintenance and concession operation.

The functional currency of the Company is Renminbi ("**RMB**"), and the consolidated financial statements are presented in RMB, unless otherwise stated.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**"), the companies comprising the Group underwent a group reorganization by interspersing the Company and CBEE between Beijing Shengyi and Boqi Environmental Engineering, the then holding company of Beijing Shengyi (collectively referred to as the "**Group Reorganisation**") during 2015 and 2016. Please refer to the Prospectus for details.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the consolidated financial statements for both years, the Group has consistently applied the IFRSs that are effective for the Group's financial year beginning on 1 January 2017.

New and revised IFRSs in issue but not yet effective

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the Related Amendements[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC — Int 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contributions of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs Standard 2014–2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs Standard 2015–2017 Cycle[2]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and revised IFRSs in issue but not yet effective (continued)

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021.

Except as described below, the directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the Group's financial performance and consolidated financial positions and/or on the disclosures in future consolidated financial statements.

IFRS 9 "Financial instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 where are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 "Financial instruments" (continued)

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement

Listed shares classified as available-for-sale investments are measured at fair value as disclosed in note 17: these shares qualify for designation as measured at FVTOCI under IFRS 9 as the Group does not hold such shares for trading purpose; Upon the application of IFRS 9, the fair value gains or losses accumulated in the investment revaluation reserve, which is RMB5,605,000, net of tax as at 31 December 2017 will no longer be subsequently reclassified to profit or loss. Based on the fair value of the investments as at 31 December 2017, such change is expected to result in lower profit or loss and higher other comprehensive income upon disposal in the future, but will have no impact on the total comprehensive income. Further, since both of the available-for-sale investments under IAS 39 and equity instruments designated at FVTOCI under IFRS 9 are measured at fair value, the application of IFRS 9 will not result in the change in carrying amount of the investments in consolidated financial position of the Group.

Convertible ordinary shares issued by the Group designated as at fair value through profit or loss (FVTPL) as disclosed in note 29: these financial liabilities qualify for designation as measured at FVTPL under IFRS 9; however, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. This is different from the current accounting treatment in terms of which the entire change in fair value of the financial liability is recognised in profit or loss. The change in fair value attributed to a change in credit risk of these financial liabilities would be recognised in other comprehensive income under IFRS 9. The Company does not expect the impact will be material.

All other financial assets and financial liabilities will continue to be measured at amortised cost.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 "Financial instruments" (continued)

Impairment

Financial assets measured at amortised cost and amounts due from customers for contract work (as disclosed in note 20, which will be treated as contract assets upon the adoption of IFRS 15) will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables and amounts due from customers for contract work as required or permitted by IFRS 9.

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items, of which the directors of the Company do not anticipate that the application will have a significant impact on the financial position and/or financial performance of the Group.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

IFRS 15 “Revenue from contracts with customers” (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following major sources:

- Sale of goods
- Construction contracts
- Operation and Maintenance
- Concession operation

The directors of the Company have preliminarily assessed that the each of such type represents a performance obligation and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customer. This is similar to the current identification of separate revenue components under IAS 18. Furthermore, even though IFRS 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis, the directors of the Company do not expect that the allocation of revenue to these types will be significantly different from that currently determined. The directors of the Company expect that the timing of revenue recognition of each of these performance obligations may be different from current practice.

As regards the construction contracts, the directors of the Company have specifically considered IFRS 15’s guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to the customer and the timing of the related payments. The directors of the Company have assessed that revenue from these construction contracts should be recognised over time as the customer control the property, plant and equipment during the course of construction by the Group. Furthermore, the directors of the Company consider that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15 and will not have a significant impact on the timing of revenue recognition.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 15 "Revenue from contracts with customers" (continued)

Apart from providing more extensive disclosures on the Group's revenue transactions, the directors of the Company do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contract to the lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by IFRS 16.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 16 "Leases" (continued)

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB29,705,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of IFRS 16 would not have significant impact on the financial separate position and performance of the Group comparing with IAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements. This is because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs and on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvements with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Construction contracts

Construction contracts included design, construction and equipment installment and testing services, where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and notes receivables.

Operation and Maintenance

Revenue from operation and maintenance revenue are recognised when the related services are rendered.

Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Operating lease

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business consolidation) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledged bank deposits

Pledged bank deposits represent amounts held by banks, which are not available for the Group's use, as security for issuance of bills to the Group's suppliers, letters of credit relating to the environmental protection facility engineering contracts and the operation and maintenance contracts signed with the customers, and letters of guarantee for bank borrowings. Upon maturity of the letters of credit, letters of guarantee and repayment of bank borrowings, the deposits are released by the bank and become available for general use by the Group. Pledged bank deposits are reported within cash flows from investing activities in the consolidated statement of cash flows with reference to the purpose of making the pledge.

Foreign currencies

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or held for administrative purposes other than construction in progress as described below, are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents building under construction which is carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operation in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 "Financial Instruments: Recognition and Measurement" ("**IAS 39**") are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets ("**IAS 36**")" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Intangible assets

Intangible assets with finite useful lives, other than service concession arrangements as set out in "Service concession arrangements" below, that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

When the Group has a right to construct and operate the concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Service concession arrangements

The Group has entered into a number of service concession arrangements with certain owners of the power plants (the "**Grantors**").

Under these service concession arrangements:

- the Grantors control or regulate the services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and

- the Grantors control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangements, or the infrastructure is used for its entire useful life under the arrangements, or both the Group's practical ability to sell or pledge the infrastructure is restricted and continuing right of use of the infrastructure is given to the Grantors throughout the period of the arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession arrangements (continued)

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue from construction contracts.

Consideration given to the Grantor

A financial asset (receivables under service concession arrangement) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from the Grantors for the consideration paid and payable by the Group to the Grantors. The Group has unconditional right to receive cash if the Grantors contractually guarantee to pay the Group specified or determinable amounts or the shortfall, if any, between amounts received from the users by the Grantors and specified or determinable amounts. The financial assets (receivables under service concession arrangement) are accounted for in accordance with the policy set out for loans and receivables under "Financial instruments" below.

An intangible asset (service concession) is recognised consistent to the extent that the Group receives a right to charge the owners of the power plant, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the operation and maintenance service has been delivered. The intangible asset (service concession) is accounted for in accordance with the policy set out for "Intangible assets" above.

If the Group is paid for the consideration partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

Construction and upgrade services

Revenue and costs relating to construction or upgrade services of the existing or new infrastructure are recognised in accordance with the policy for "Construction contracts" above while the costs incurred to date plus recognised profits less recognised losses, if any, (representing the revenue) are included in intangible assets or receivables under service concession arrangement.

Operating service

Revenue relating to operating service are accounted for in accordance with the policy for "Revenue" above. Costs for operating services are expensed in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories mainly include supplies and spare parts in relation to the Group's environment protection facility and operation and maintenance services are stated at the lower of cost and net realisable value. Cost of inventories are calculated using first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into two categories, including available-for-sale ("**AFS**") investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

AFS investments

AFS investments are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss.

AFS financial assets are measured at fair value at the end of the reporting period end. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss. (See the accounting policy in respect of impairment loss on financial assets below).

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including receivables under concession arrangement, trade and notes receivables, other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment. (See the accounting policy in respect of impairment loss on financial assets below)

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under investment revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancelation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "Financial liabilities measured at amortised cost".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the other income and other gains and losses line item. Fair value is determined in the manner described in note 35.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost including trade and notes payables, other payables, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 39.

The fair value determined at the grand date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest.

The impact of the version of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations that the directors of the Company have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the consolidated financial statements.

Accounting for the Group's service concession arrangements under IFRIC Interpretation 12 Service Concession Arrangements ("IFRIC 12")

The Group's service concession arrangements are accounted for as intangible assets and/or financial assets (receivables under service concession arrangement) in accordance with IFRIC 12 because, in the opinion of the directors of the Company, the Group's service concession arrangements contain the following:

- the grantors control or regulate the services the Group must provide with the infrastructure, to whom the Group must provide such services, and at prices agreed with the grantors;

- the grantors of the infrastructure controls, through ownership, any significant residual interest in the infrastructure at the end of the service concession agreement; and

- the grantors restrict the Group's practical ability to sell or pledge the infrastructure that give the Group continuing right of use throughout the period of the arrangements.

Key Sources of estimation uncertainly

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Construction contracts

The Group recognises contract revenue and profit on a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

In addition, the Group makes provision for expected loss on construction contracts based on the estimation of the outcome of the ongoing construction projects by the managements' prior experience and industry averages for similar projects. The Group assesses periodically the expected return of construction contracts and if the expectation differs from the original estimate, such difference will impact the expected return in the period in which such estimate has been changed.

Fair value of convertible ordinary shares

The convertible ordinary shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation technique. The directors of the Company have used market approach to determine the underlying equity value of the Company and adopted Monte-Carlo Simulation model to determine the fair value of the convertible ordinary shares. Key unobservable input, which is the market multiples — Price to earnings ratio (the "**P/E ratio**"), is disclosed in note 29. Changes in assumptions about these factors could affect the estimated fair value of convertible ordinary shares.

Allowances for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and notes receivables, receivables under service concession arrangement, other receivables and amounts due from related parties. Allowances are applied to trade and notes receivables, receivables under service concession arrangement, other receivables and amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and notes receivables, receivables under service concession arrangement, other receivables and amounts due from related parties and doubtful debts expenses in the period in which such estimate has been changed.

Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any changes in these estimates may have a material impact on the results of the Group.

5. REVENUE AND SEGMENT INFORMATION

Revenue is mainly generated from the flue gas desulfurisation and denitrification services through three different models, namely environmental protection facility engineering, operation and maintenance and concession operation. In addition, the Group also provides design service and sewage treatment, which are recorded in others. Revenue is recognised net of sales related taxes.

For the purposes of resources allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision maker ("**CODM**"), regularly review types of goods or services delivered or provided by focusing on different business models. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

Environmental protection facilities engineering: ("**EPC**")	project design, procurement of equipment and materials, project construction and equipment installment and testing services
Operation and maintenance: ("**O&M**")	operation service and regular maintenance service for desulfurisation and denitrification facilities and dust removal facilities
Concession operation: ("**Build-Operate-Transfer**", "**BOT**", and "**Transfer-Operate-Transfer**", "**TOT**")	construction of infrastructure or acquisition of existing infrastructure from grantor, operation and maintenance of flue gas treatment project for a pre-defined period according to the concession contract and transfer the ownership of the infrastructure to the customer at the end of the period
Others:	design service, sewage treatment, sales of by-products and others

5. REVENUE AND SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Segment revenue		Segment profit	
	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000	**Year ended 31 December 2017 RMB'000**	Year ended 31 December 2016 RMB'000
EPC	**555,261**	764,233	**43,072**	114,641
O&M	**402,815**	221,367	**126,756**	50,897
Concession operation	**340,477**	316,256	**111,452**	77,501
Others	**30,525**	51,099	**15,962**	10,607
Total	**1,329,078**	1,352,955	**297,242**	253,646
Unallocated other income and other gains and losses			**36,175**	28,397
Unallocated selling and distribution expenses			**(18,318)**	(15,859)
Unallocated administrative expenses			**(88,892)**	(72,376)
Unallocated share of profit of an associate			**31,694**	14,833
Unallocated finance costs			**(5,333)**	(6,043)
Unallocated change in fair value of convertible ordinary shares			**(233,228)**	—
Unallocated listing expenses			**(14,114)**	(9,141)
Profit before tax			**5,226**	193,457

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for each of the reporting period.

Segment profit represents the results of each segment without allocation of corporate items including other income and other gains and losses, selling and distribution expenses, administrative expenses, share of profit of an associate, finance costs, change in fair value of convertible ordinary shares and listing expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

5. REVENUE AND SEGMENT INFORMATION (continued)

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Major customers

Revenue from customers during the reporting periods contributing over 10% of the total revenue of the Group are as follows:

	Segment	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Customer A	Concession operation & O&M	**168,696**	*
Customer B	O&M	**197,061**	*
Customer C	EPC	**146,990**	*

*Note: Revenue from those major customers was less than 10% in the relevant year presented.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Sales of equipment	**289,935**	426,323
Construction service	**350,301**	456,206
Operation and maintenance service	**658,317**	419,327
Others	**30,525**	51,099
	1,329,078	1,352,955

Geographical information

The Group primarily operates in the PRC. Substantially all non-current assets and revenue of the Group are located in and generated from the PRC.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Interest income	**17,199**	7,543
Government grants	**11,554**	10,138
Rental income, net *(Note 9)*	**847**	947
Reversal of allowance for trade and notes receivables	**10,458**	10,692
(Allowance) reversal of allowance for other receivables	**(300)**	133
Allowance for inventories	**(484)**	(796)
Loss on disposal of property, plant and equipment	**(45)**	(67)
Foreign exchange losses	**(10,331)**	(4,107)
Others	**7,277**	3,914
	36,175	28,397

7. FINANCE COSTS

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Interest on bank borrowings	**5,333**	6,043

8. INCOME TAX EXPENSE

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
PRC enterprise income tax ("**EIT**")	**29,718**	35,022
Withholding tax on dividend declared	**—**	9,461
Deferred tax *(note 18)*	**12,537**	(3,067)
Total	**42,255**	41,416

8. INCOME TAX EXPENSE (continued)

The Company and CBEE Holdings Co., Ltd. ("**CBEE**"), the Company's subsidiary, were incorporated in the Cayman Islands and the British Virgin Islands ("**BVI**"), respectively. Both entities did not have tax assessable profit in Cayman Islands, BVI or other jurisdiction during the reporting periods.

Pursuant to the Enterprise Income Tax Law (the "**EIT Law**") effective on 1 January 2008, Beijing Boqi Electric Power SCI-TECH Co., Ltd. (北京博奇電力科技有限公司) ("**Beijing Boqi**") obtained a "**High and New Technology Enterprise**" (the "**HNTE**") in 2008 which Beijing Boqi was entitled to a preferential tax rate of 15% from 2008 to 2010 and could be re-applied every three years; the current active HNTE certificate has an effective date until 5 December 2020.

In October 2015, Shanxi Hejin Boqi Environmental Technology Co., Ltd. (山西河津博奇環保科技有限公司) ("**Hejin Boqi**") obtained the approval for being eligible as the HNTE for the year ended 31 December 2015 which Hejin Boqi was entitled to a preferential tax rate of 15% from 2015 to 2017.

In November 2016, Jiangxi Jinggangshan Boqi Environmental Technology Co., Ltd. (江西井岡山博奇環保科技有限公司) ("**Jinggangshan Boqi**") obtained the approval for being eligible as the HNTE for the year ended 31 December 2016 which Jinggangshan Boqi was entitled to a preferential tax rate of 15% from 2016 to 2018.

The applicable tax rate of other PRC subsidiaries of the Company was 25% for the years end 31 December 2017 and 2016.

According to the relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entities, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Detailed Rules for the Implementation of the Regulation.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Profit before tax	**5,226**	193,457
Tax at applicable income tax rate of 25%	**1,307**	48,364
Tax deduction due to preferential tax rate	**(24,695)**	(22,471)
Tax effect of income not taxable for tax purpose	**(5,397)**	(2,369)
Tax effect of expenses that are not deductible for tax purpose	**70,714**	8,578
Utilisation of tax losses previously not recognised	**(166)**	(147)
Tax effect of tax losses not recognised	**492**	—
Withholding income tax from dividend distribution	**—**	9,461
Tax charge for the year	**42,255**	41,416

9. (LOSS)/PROFIT FOR THE YEAR

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
(Loss)/profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration set out in note 11		
Salaries and other benefits	**122,513**	107,699
Contributions to retirement benefits scheme	**12,685**	10,885
Share-based payment expenses	**7,206**	4,049
Total staff costs	**142,404**	122,633
Gross rental income from investment properties	**(1,548)**	(1,834)
Less: Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year (included in other income and other gains and losses)	**701**	887
	(847)	(947)
Cost of inventories recognised as expenses (included in cost of sales and services)	**364,105**	429,621
Depreciation of property, plant and equipment	**6,454**	3,108
Depreciation of investment properties	**634**	635
Amortisation of intangible assets	**33,418**	31,638
Research and development expenses	**8,204**	3,927
Auditor's remuneration	**5,500**	3,536

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
(Loss) earnings :		
(Loss) earnings for the purpose of calculating (loss) earnings per share ((loss) profit for the year attributable to owners of the Company) — basic and diluted	**(36,418)**	152,041
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**453,694,494**	600,000,000

The calculation of basic (loss) earnings per share for the years reported was based on the (loss) profit for the year attributable to the owners of the Company and the number of 600,000,000 ordinary shares, which had been adjusted retrospectively for the effect of bonus element of additional shares issued and the share split as set out in note 31 as if the bonus issue and the share split had been effective on 1 January 2016.

The computation of diluted (loss) earnings per share for the year ended 31 December 2016 and 2017 has not considered the effect of the shares issued under the Pre-IPO Share Award Scheme given that the effect is anti-dilutive.

The computation of diluted loss per share for the year ended 31 December 2017 does not assume the conversion of the Class B and C convertible ordinary shares issued by the Company in 2017 since their assumed exercise would result in a decrease in loss per share.

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

Directors and chief executives

Mr. Cheng served as the Company's Chairman and Executive Director and Mr. Zeng served as the Company's Vice Chairman, Executive Director and Chief Executive Officer since the incorporation of the Company on 30 January 2015.

Details of the emoluments paid to the directors of the Company and the Chief Executive Officer of the Company during the years reported are as follows:

For the year ended 31 December 2017:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Cheng	–	850	57	907
Mr. Zeng	–	850	57	907
Non-executive Directors:				
Mr. Tony Tuo Zheng	–	–	–	–
Mr. Zhu Weihang *(note i)*	–	–	–	–
Mr.Chen Xue *(note ii)*	–	–	–	–
	–	**1,700**	**114**	**1,814**

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

Directors and chief executives (continued)

For the year ended 31 December 2016:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Cheng	—	850	53	903
Mr. Zeng	—	850	53	903
Non-executive Directors:				
Mr. Tony Tuo Zheng	—	—	—	—
	—	1,700	106	1,806

Notes:

(i) Mr. Zhu Weihang was appointed as non-executive director of the Company on 9 January 2017

(ii) Mr. Chen Xue was appointed as non-executive director of the Company on 9 January 2017

The emoluments of the directors and chief executives shown above were mainly for their management services rendered to the Company and the Group and were determined by the shareholders of the Group having regard to the performance of individuals and market trends.

Employees

The five highest paid individuals of the Group included two directors for the year ended 31 December 2017 (2016: two), whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals for the years ended 31 December 2017 (2016: three) are as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Salaries and other benefits	**1,560**	1,560
Retirement benefit scheme contributions	**57**	53
Share-based payments	**875**	472
	2,492	2,085

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

Employees (continued)

The five highest paid individuals, including two directors, whose emoluments were within the following bands:

	Number of employees	
	Year ended 31 December 2017	Year ended 31 December 2016
Nil to HKD1,000,000	**3**	3
HKD1,000,001 to HKD1,500,000	**2**	2
	5	5

During the year, no remuneration was paid by the Group to the directors of the Company or the top five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2016: nil). None of the directors of the Company has waived any remuneration during the year (2016: nil).

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land and building RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2016	28,709	3,763	17,397	10,973	1,344	62,186
Additions	—	—	1,945	698	—	2,643
Transfer	—	—	—	1,344	(1,344)	—
Disposals	—	—	(1,769)	(1,195)	—	(2,964)
At 31 December 2016	28,709	3,763	17,573	11,820	—	61,865
Additions	—	244	3,648	36,592	57	40,541
Transfer	—	—	—	—	—	—
Disposals	—	—	(4,914)	(673)	—	(5,587)
At 31 December 2017	**28,709**	**4,007**	**16,307**	**47,739**	**57**	**96,819**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold Land and building RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION						
At 1 January 2016	(2,083)	(3,616)	(13,683)	(8,772)	—	(28,154)
Charge for the year	(907)	(88)	(1,161)	(952)	—	(3,108)
Elimination on disposals	—	—	1,680	1,138	—	2,818
At 31 December 2016	(2,990)	(3,704)	(13,164)	(8,586)	—	(28,444)
Charge for the year	(901)	(121)	(2,505)	(2,927)	—	(6,454)
Elimination on disposals	—	—	4,494	606	—	5,100
At 31 December 2017	**(3,891)**	**(3,825)**	**(11,175)**	**(10,907)**	**—**	**(29,798)**
CARRYING VALUES						
At 31 December 2017	**24,818**	**182**	**5,132**	**36,832**	**57**	**67,021**
At 31 December 2016	25,719	59	4,409	3,234	—	33,421

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value of 5% of the cost, are depreciated on a straight-line basis with the following expected useful lives:

Leasehold land and building	30 years
Leasehold improvements	2–3 years
Motor vehicles	5 years
Fixtures and equipment	2–7.5 years

13. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2016, 31 December 2016, and 31 December 2017	20,871
ACCUMULATED DEPRECIATION	
At 1 January 2016	(6,620)
Provided for the year	(635)
At 31 December 2016	(7,255)
Provided for the year	(634)
At 31 December 2017	**(7,889)**
CARRYING VALUES	
At 31 December 2017	**12,982**
At 31 December 2016	13,616

The investment properties are the units located on the same floor within the same building in Beijing, the PRC, which are held to earn rentals or for capital appreciation purposes. The investment properties are depreciated on a straight-line basis at the rates of 3.17% per annum, estimated residual value of 5% of the cost.

The fair value of the Group's investment properties as at 31 December 2017 was RMB58,712,000 (as at 31 December 2016: RMB61,049,000) which was determined by the directors of the Company by using direct comparison method based on observable market transaction prices of properties in similar locations. The fair value hierarchy is level 2 as at 31 December 2017 (2016: level 2).

14. INTANGIBLE ASSETS

	Software RMB'000	Patents and trademarks RMB'000	Service concession arrangements RMB'000	Total RMB'000
COST				
At 1 January 2016	12,558	28,774	426,321	467,653
Additions	137	—	118,340	118,477
At 31 December 2016	12,695	28,774	544,661	586,130
Additions	29	—	42,926	42,955
At 31 December 2017	**12,724**	**28,774**	**587,587**	**629,085**
ACCUMULATED AMORTISATION				
At 1 January 2016	(11,470)	(24,896)	(102,523)	(138,889)
Charge for the year	(376)	(1,406)	(29,856)	(31,638)
At 31 December 2016	(11,846)	(26,302)	(132,379)	(170,527)
Charge for the year	(327)	(1,120)	(31,971)	(33,418)
At 31 December 2017	**(12,173)**	**(27,422)**	**(164,350)**	**(203,945)**
CARRYING VALUES				
At 31 December 2017	**551**	**1,352**	**423,237**	**425,140**
At 31 December 2016	849	2,472	412,282	415,603

The Group has entered into a number of service concession arrangements with certain power plants which are owned by state owned enterprise in the PRC on a BOT basis in respect of its desulfurisation and denitrification construction and maintenance services. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of the desulfurisation and denitrification facilities; (ii) has the contractual obligations to maintain the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the facilities upon completion for a specified concession period from 15 to 21 years by receiving the monthly fees, which are determined by on-grid tariff subsidies on a per kilowatt hour basis for power generated by the power plant and settled with the customers on a monthly basis. The Group will not hold any residual interest in the facilities upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and intangible assets were recognised at amounts equal to the fair value of the consideration for provision of construction service upon initial recognition.

14. INTANGIBLE ASSETS (continued)

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment loss. Service concession arrangements are amortised on a straight-line basis, over the remaining concession period. Other intangible assets are amortised on a straight-line basis based on their estimated useful lives as follows:

Software	5 years
Patents and trademarks	5 years–15 years

15. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

In June 2017, the Group entered into a service concession arrangement with a state owned power plant. Through the arrangement, the Group is involved as an operator (i) paying a specific amount for purchasing the relevant infrastructure for operation under the service concession arrangements; (ii) using the existing property, plant and equipment (the infrastructure) and upgrading the acquired facilities for provision of services under the service concession arrangements; and (iii) operating and maintaining the infrastructure for the period of 15 years (the "**Service Concession Period**"), and the Group will be paid for its services over the Service Concession Period at prices stipulated through a pricing mechanism. The Group is entitled to use all of the related infrastructure, however, the power plant, as the grantor, will control and regulate the scope of service that the Group must provide with the infrastructure.

The service fee is charged by reference to on-grid tariff subsidies determined on a per kilowatt hour basis as set out in the service concession agreement. However, the Group is entitled to a minimum guaranteed service charge, which is calculated based on the minimum guaranteed on-grid tariff per year and the price agreed in the service concession agreement. Accordingly, the receivables under service concession arrangement was recognised by the Group at fair value upon the service concession arrangement established.

The receivables under service concession arrangement arose from the minimum service charge guaranteed by the power plant was as follows:

	At 31 December 2017 RMB'000
Current portion	23,519
Non-current portion	384,565
	408,084
Expected collection schedule is analysed as follows:	
Within one year	23,519
More than one year, but not more than two years	17,830
More than two years but not more than five years	60,600
More than five years	306,135
	408,084

15. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT (continued)

The Group estimated the fair value of the receivables under service concession arrangement based on the present value of the estimated annual minimum service charge in the Service Concession Period by applying an effective interest rate of 6.37% which is considered by reference to the market interest rate and the credit risk of the grantor.

Given that the grantor under the service concession arrangement is a state owned power plant in which the default risk is generally perceived to be low, the directors of the Company consider that there was no objective evidence of impairment as at 31 December 2017. As such, there was no impairment in the Group's receivables under service concession arrangement provided as at 31 December 2017. While the Company consider the credit risk is minimal, the collection of receivables under service concession arrangement is closely monitored by the Company in order to minimise any credit risk associated with the receivables.

16. INVESTMENT IN AN ASSOCIATE

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Cost of investment in an associate	**33,000**	33,000
Share of profit of an associate, net of dividend received	**37,098**	18,755
	70,098	51,755

As at 31 December 2017 and 2016, the Group had interests in the following associate:

Name of entity	Place of corporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group At 31 December 2017 Directly	Proportion of nominal value of issued capital held by the Group At 31 December 2016 Directly	Principal activity
漢川龍源博奇環保科技有限公司 Han Chuan Long Yuan BoQi Environmental Technology Co., Ltd ("**Han Chuan Long Yuan**")	the PRC	the PRC	Ordinary	**30%**	30%	Design installation operation and Maintenance of EPC

16. INVESTMENT IN AN ASSOCIATE (continued)

The associate is accounted for using the equity method in the Consolidated Financial Statement. The summarised financial information in respect of Han Chuan Long Yuan is set out below:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Total assets	**497,116**	475,275
Total liabilities	**(263,455)**	(302,759)
Net assets	**233,661**	172,516

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	**211,270**	130,448
Profit and total comprehensive income for the year	**105,645**	50,650

17. AVAILABLE-FOR-SALE INVESTMENT

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Listed equity investment at fair value — non-current	**9,000**	2,000
AFS investment total	**9,000**	2,000

The equity investment at fair value — non-current represents an investment in Wuhan BOCH JACO Environmental Co., Ltd. ("**Wuhan BOCH**"), an entity incorporated in the PRC.

The shares of Wuhan BOCH is traded on National Equities Exchange and Quotations ("**NEEQ**").

18. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Deferred tax assets	**21,995**	35,583

The following are the major deferred tax assets and deferred tax liabilities recognised and movement thereon during the years reported:

	Allowance for doubtful debts and inventories RMB'000	Change in fair value of available for sale investment RMB'000	Provision for expected loss on construction contracts RMB'000	Accrued expenses RMB'000	Patent RMB'000	Total RMB'000
At 1 January 2016	10,056	(479)	9,694	12,705	—	31,976
(Charged) credited to profit or loss	(2,730)	—	(1,479)	4,396	2,880	3,067
Credited to other comprehensive income	—	540	—	—	—	540
At 31 December 2016	7,326	61	8,215	17,101	2,880	35,583
Charged to profit or loss	(2,811)	—	(2,460)	(7,105)	(161)	(12,537)
Charged to other comprehensive income	—	(1,051)	—	—	—	(1,051)
At 31 December 2017	**4,515**	**(990)**	**5,755**	**9,996**	**2,719**	**21,995**

As at 31 December 2017, the Group has unused tax loss of RMB13,081,000 (2016: RMB12,001,000), available for offset against future profits for the consecutive five years and will expire between 2019 and 2022. No deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future tax profit streams.

18. DEFERRED TAX ASSETS (continued)

Deferred tax assets is recognised if it is probable that all of the deferred tax assets will be realised through the recovery of taxes previously paid and/or future taxable income. The directors of the Company have reviewed its deferred tax assets at the end of the reporting period and considered that it was probable that the deferred tax assets of the Group will be realised through future taxable income based on directors' assessment of the probability that taxable profits will be available over the year which the deferred tax assets can be realised or utilised.

Under the EIT law of the PRC, withholding tax is imposed on dividend declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, except for the dividend declared in 2016 as described in note 33 which was a one-time event in relation to the Group's reorganisation through which the Company became the holding company of Beijing Shengyi, the principal operating company in the PRC.

19. INVENTORIES

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Equipments, supplies and spare parts	**25,546**	23,195
Allowance for inventories	**(117)**	(1,143)
	25,429	22,052

20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Contracts in progress at the end of reporting period		
Contract costs incurred plus recognised profits less recognised losses to date	**350,172**	237,677
Less: progress billings	**(282,532)**	(135,960)
	67,640	101,717

20. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK (continued)

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Recognised and included in the consolidated financial statements as amounts due:		
— from customers for contract work	**95,348**	117,978
— to customers for contract work	**(27,708)**	(16,261)
	67,640	101,717

21. TRADE AND NOTES RECEIVABLES

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Trade receivables	**632,840**	687,595
Notes receivables	**65,837**	94,685
Less: Allowance for doubtful debts	**(31,424)**	(49,289)
	667,253	732,991

The Group generally grants credit period between 30 to 90 days which are agreed with each of its trade customers. The extension of credit period to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer's financial condition and payment history with the Group.

Trade receivables relate to a number of independent customers that have a good track record with the Group. The allowance for doubtful debts of the Group is based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. Certain judgment is applied in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Notes receivables are bank acceptance notes and the aging is generally within 90 days to 180 days, which the management believes that no impairment allowance is necessary as there is no significant change in credit quality and the balances are considered fully recoverable.

21. TRADE AND NOTES RECEIVABLES (continued)

Aging analysis of trade and notes receivables based on invoice date or notes receiving dates is as follows:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
1–90 days	**293,006**	408,167
91–180 days	**72,187**	119,165
181–365 days	**96,524**	89,131
1–2 years	**156,788**	83,495
2–3 years	**37,385**	13,661
Over 3 years	**11,363**	19,372
	667,253	732,991

Trade receivables disclosed below are past due at the end of the reporting period for which the Group has not recognised any allowance for doubtful debts because, based on past experience, the directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances are still considered fully recoverable. There is no past due for notes receivables.

Aging analysis of trade receivables that are past due but not impaired is as follows:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Overdue by:		
1–90 days	**25,914**	18,317
91–180 days	**80,938**	66,379
181–365 days	**116,775**	36,278
1–2 years	**66,837**	63,892
2–3 years	**20,050**	10,481
Over 3 years	**11,358**	14,424
	321,872	209,771

21. TRADE AND NOTES RECEIVABLES (continued)

Included in trade receivables of the Group are the retention receivables of RMB206,601,000 as at 31 December 2017, (2016: RMB223,160,000), which were held by customers under construction contracts. The Group generally provide their customers with one-year warranty period. The warranty period may be extended in respect of certain projects. Upon the expiration of retention period, if the relevant environmental protection facility engineering have met the requirements in the contract, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

Retention receivables are interest-free and recoverable at the end of the retention period of the respective construction contracts. The Group's normal operating cycle with respect to this construction contract is usually more than one year.

Movements in the allowance for doubtful debts are as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
At beginning of the year	**49,289**	66,357
Recoveries of debts previously written off	**1,800**	—
Reversal of allowance	**(10,458)**	(10,692)
Amounts written off as uncollectable	**(9,207)**	(6,376)
At end of the year	**31,424**	49,289

Allowance for doubtful debts included individually impaired trade receivables with an aggregate gross principal balance of RMB235,218,000 as at 31 December 2017 (2016: RMB403,545,000), which were either under dispute with the customers or the customers are in financial difficulties. The Group does not hold any collateral over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Project bidding and other deposits	**27,529**	43,981
Prepayments for project construction cost and project equipment purchase	**20,942**	8,532
Prepaid construction outsourcing fee	**8,663**	10,268
Prepaid tax	**4,411**	11,161
Deferred listing cost	**7,019**	2,798
Others	**1,912**	2,570
	70,476	79,310
Less: impairment losses on other receivables	**(300)**	(700)
	70,176	78,610

Movements in the allowance for doubtful debts are as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
At beginning of the year	**700**	1,500
Provided for (reversal of) allowance	**300**	(133)
Amounts written off as uncollectable	**(700)**	(667)
At end of the year	**300**	700

23. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure 1) a back to back guarantee provided by a bank in the PRC in respect of an oversea bank borrowing of the Company as at 31 December 2016 and 2) other short-term bank borrowings, letter of credits and facilities of the Group as at 31 December 2017 and 2016. The pledged bank deposits will be released upon the settlement of relevant bank borrowings or the expiration of letter of credits and banking facilities.

Pledged bank deposits of the Group carrying interest at market rates which range from 0.30% to 4.0% per annual as at 31 December 2017 (2016: from 0.35% to 4.0% per annual).

24. BANK BALANCES AND CASH

Bank balances and cash of the Group comprises cash held by the Group and bank balances that bear interest at prevailing market rates, per annum, ranging from 0.0001% to 1.75% per annual as at 31 December 2017 (2016: from 0.0001% to 2.14% per annual), with an original maturity of three months or less.

25. TRADE AND NOTES PAYABLES

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Trade payables	**641,187**	640,820
Notes payables	**79,540**	52,919
Total	**720,727**	693,739

The credit period on purchases of goods and service is generally 30 to 90 days. The table below sets forth, as at the end of reporting periods indicated, the aging analysis of the trade and notes payables:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Less than 90 days	**244,900**	227,180
90–180 days	**108,416**	116,342
180 days–1 year	**95,020**	105,726
1–2 years	**128,528**	110,708
2–3 years	**46,241**	46,794
Over 3 years	**97,622**	86,989
Total	**720,727**	693,739

26. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Advance from customers	**51,797**	68,991
Accrued expenses	**55,581**	58,142
Accrued liabilities *(note(i))*	**26,708**	43,111
Accrued payroll and welfare	**34,446**	31,586
Payable for obtaining service concession arrangement *(note(ii))*	**217,536**	—
Others	**19,421**	22,119
	405,489	223,949

Details of the movements in the accrued liabilities are as follows:

	RMB'000
At 1 January 2016	52,968
Utilised for the year	(28,320)
Provided for the year	18,463
At 31 December 2016	43,111
Utilised for the year	(21,554)
Provided for the year	5,151
At 31 December 2017	**26,708**

Note:

(i) Accrued liabilities mainly represent the expected loss for onerous contract recorded when it is probable that total contract costs will exceed total contract revenue.

(ii) Balance represents the amount to be paid to a state owned power plant in relation to the purchase of the relevant infrastructure for operation under the service concession arrangement as disclosed in Note 15, which is expected to be paid in year 2018.

27. OTHER TAX LIABILITIES

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Value added tax	**31,972**	23,966
Other taxes	**413**	2,836
	32,385	26,802

28. BANK BORROWINGS

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Analysed as:		
Secured bank borrowings carry interest at variable rates	**11,000**	195,254
Unsecured bank borrowings carry interest at variable rates	**116,000**	148,000
	127,000	343,254
Carrying amount repayable:		
Within one year	**100,000**	296,254
More than one year, but not exceeding two years	**15,000**	20,000
More than two years but not more than five years	**12,000**	27,000
	127,000	343,254
Less: Amounts due within one year shown under current liabilities	**100,000**	296,254
Amounts shown under non-current liabilities	**27,000**	47,000

The amounts due are based on scheduled repayment dates set out in the borrowing agreements. As at 31 December 2017 and 2016, no bank borrowings contained any repayment on demand clause.

Interests on bank borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China. The effective interest rate bank borrowings are charged at the prevailing market rates ranging from 1.68% to 4.79% per annum as at 31 December 2017 (2016: 1.66% to 4.57%).

28. BANK BORROWINGS (continued)

The Group had bank borrowings denominated in Japanese Yen ("**JPY**") and United States dollars ("**USD**") as of 31 December 2016. Interests on such bank borrowings denominated in JPY and USD are at variable interest rates based on Tokyo InterBank Offered Rate plus 1.5% and London InterBank Offered Rate plus 0.92%, respectively. The effective interest rate for the bank borrowings in JPY and USD were 1.68364% and 1.663% per annum as at 31 December 2016, respectively. The JPY and USD bank borrowings were repaid in January and February 2017, respectively.

As at 31 December 2017, bank borrowings of approximately RMB11,000,000 (2016: RMB195,254,000) were secured by the pledge of bank deposits, or the right to the future income stream or the pledge of the concession arrangements for borrowings used in Jinggangshan Boqi's service concession arrangements.

As at 31 December 2017 and 2016, all of the aforesaid bank borrowings of the Group are unguaranteed, except for the bank borrowing denominated in JPY from a PRC bank's oversea branch as of 31 December 2016, which is guaranteed by another PRC bank while the Group pledged certain bank deposits to the bank providing guarantee.

29. CONVERTIBLE ORDINARY SHARES

	At 1 January 2017 RMB'000	Redesignation RMB'000	Issuance RMB'000	Change in fair value RMB'000	**At 31 December 2017 RMB'000**
Redesignation of Class A ordinary shares ("**Class A Shares**") to Class B convertible ordinary shares ("**Class B Shares**") *(note (i))*	—	201,337	—	94,211	**295,548**
Class B Shares	—	201,337	—	94,211	**295,548**
Class C-1 convertible ordinary shares ("**Class C-1 Shares**") *(note (ii))*	—	—	44,820	20,375	**65,195**
Class C-2 convertible ordinary shares ("**Class C-2 Shares**") *(note (iii))*	—	—	179,279	81,498	**260,777**
Class C-3 convertible ordinary shares ("**Class C-3 Shares**") *(note (iv))*	—	40,105	56,360	37,144	**133,609**
Class C convertible ordinary shares ("**Class C Shares**")	—	40,105	280,459	139,017	**459,581**
	—	241,442	280,459	233,228	**755,129**

29. CONVERTIBLE ORDINARY SHARES (continued)

Notes:

(i) On 9 January 2017, the Company redesignated 125,000,000 Class A Shares held by New Asia to Class B Shares, the fair value of the Class A Shares upon redesignation was RMB1.61, which was valued by GW Financial Advisory Services Ltd., an independent qualified valuer not connected with the Group.

(ii) On 30 December 2016, the Company, its shareholders and New Asia entered into a share subscription agreement, pursuant to which the Company agreed to allot and New Asia agreed to subscribe for 27,573,529 Class C-1 Shares at a price of approximately RMB1.62 per share for total consideration of the US dollars equivalent to RMB44,750,000. The shares were allotted on 9 January 2017 and payment was settled on 11 January 2017 by New Asia.

(iii) On 30 December 2016, the Company, its shareholders and Sinopec entered into a share subscription agreement, pursuant to which the Company agreed to allot and Sinopec agreed to subscribe for 110,294,118 Class C-2 Shares, at a price of approximately RMB1.62 per share for total consideration of the US dollars equivalent to RMB179,000,000. The shares were allotted on 9 January 2017 and payment was settled on 10 January 2017 by Sinopec.

(iv) Subsequent to the investment by Sinopec and New Asia, on 11 January 2017, the Company, its shareholders and Full Synergy, the Company's financial investor, entered into a share transfer agreement whereby World Hero transferred 24,722,563 Class A Shares in the Company to Full Synergy at the price of approximately RMB1.77 per share for a total consideration of the US dollars equivalent to RMB43,750,000. Immediately after the transfer, the Company agreed to repurchase the 24,722,563 Class A Shares held by Full Synergy in consideration for the allotment and issue of 24,722,563 Class C-3 Shares to Full Synergy. On the same day, the Group, its shareholders and Full Synergy entered into a subscription agreement whereby the Company issued 31,786,152 class C-3 convertible ordinary shares to Full Synergy at the price of approximately RMB1.77 per share for a total consideration of the US dollars equivalent to RMB56,250,000.

On 20 January 2017, the shareholders of the Company have passed a special resolution adopting an amended and restated memorandum and articles of association of the Company with redemption rights and certain dividends rights removed.

Upon such amendment, the key terms of the shares purchase agreement and articles of association of the Company are summarised as follows:

(a) Dividends Rights

If a dividend or other distribution is declared, paid or set aside, such dividend/distribution shall be distributed ratably among all shareholders based on the number of shares held on an as-converted basis ("**Pro Rata Dividend**").

No dividend/distribution declared, paid or set aside shall be paid to anyone unless and until all dividends for Class C Shares (applicable to all Class C-1 Shares, Class C-2 Shares and Class C-3 Shares) at a simple rate of 6% of the Class C issue price per annum have been paid in full. Such dividends shall be payable only when, as, and if declared by the Board of Directors and shall be cumulative.

The sequence of dividends right of all series of convertible ordinary shares is as follows:
Class C Shares — 6% of issue price
Class B Shares — Pro Rata Dividend

29. CONVERTIBLE ORDINARY SHARES (continued)

(b) Liquidation Preferences

In the event of any liquidation, dissolution or winding up of the Company, all assets and funds of the Company legally available for distribution to shareholders shall be distributed to Class C holders first on parity with the amount equal to the Class C issue price with a simple rate of 10% per annum return (including the dividend rights mentioned above) and all declared but unpaid dividends on such Class C Shares.

For any remaining assets or funds after the Class C distribution, they shall be distributed ratably among all shareholders (including Class C holders) based on the relative number of shares held on as-converted basis. The sequence of liquidation right of all series of convertible ordinary shares is as follows:

Class C Shares — 10% of issue price per annum plus Pro Date Dividend and unpaid dividends
Class B Shares — Pro Rata Dividend

(c) Conversion Rights

Conversion Ratio

Initial conversion ratio for Class C Shares and/or Class B Shares to Class A Shares is 1:1, and shall be subject to adjustment based on adjustments of the conversion price.

Optional Conversion

Any Class C Shares and Class B Shares may, at the option of the holders, be converted at any time after the date of issuance, without any additional consideration, into fully-paid and non-assessable Class A Shares.

Automatic Conversion

Each Class C Shares and Class B Shares shall automatically be converted, based on the then- effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable Class A Shares upon the earlier of the Initial Public Offerings (the "**IPO**") or the agreed-upon date specified by more than 3/4 of the Class C Shares and/or the Class B Shares. All rights to Class C holders and Class B holders will terminate upon such conversion.

IPO means the first firm underwritten registered public offering by the Company of its ordinary shares pursuant to a Registration Statement that is filed with and declared effective by HKEX.

29. CONVERTIBLE ORDINARY SHARES (continued)

(c) Conversion Rights (continued)

Adjustment of the Conversion Price

The conversion price shall be adjusted and readjusted from time to time for the following:

(1) share splits and combinations; if the Company shall effect a subdivision of the outstanding Class A Shares, the conversion price in effect immediately prior to such subdivision with respect to each Class C Shares and/or Class B Shares shall be proportionately decreased; Conversely, if the Company shall combine the outstanding Class A Shares into a smaller number of shares, the conversion price in effect immediately prior to such combination with respect to each Class C Share and/or Class B Shares shall be proportionately increased;

(2) Class A Share dividends and distributions; if the Company makes dividends or other distributions to the Class A holders payable in additional Class A Shares, the conversion price then in effect with respect to each Class C Share and/or Class B Share shall be decreased by multiplying such conversion price by a fraction with the numerator being the total number of issued and outstanding Class A Shares and the denominator being A plus the number of Class A Shares issuable in payment of such dividends or distributions;

(3) reorganisation, mergers, consolidations, reclassifications, exchanges and substitutions; if any capital reorganisation or reclassification of Class A Shares occurs or the Company is consolidated, merged or amalgamated, then provision shall be made so that upon conversion of any Class C Shares and/or Class B Shares, the holders thereof shall receive the kind and amount of shares and other securities and property which the holder of such shares would have received in connection with such event had the relevant Class C Shares and/or Class B Shares been converted into Class A Shares immediately prior to such event; and

(4) dilutive issuance; no adjustment in the conversion price with respect to any Class C Share and/or Class B Share shall be made in respect to the issuance of new shares unless the consideration per share for the new shares issued or deemed to be issued by the Company is less than such conversion price in effect immediately prior to such issuance.

The Group accounts for the convertible ordinary shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the income statement.

The directors of the Company have used market approach to determine the underlying equity value of the Company and the fair value of the convertible ordinary shares by referencing to a valuation carried out by GW Financial Advisory Services Ltd., an independent qualified professional valuer not connected with the Group.

29. CONVERTIBLE ORDINARY SHARES (continued)

(c) Conversion Rights (continued)

Key unobservable input used to determine the fair value of convertible ordinary shares is as follows:

	Issuance date	At 31 December 2017
Market Multiple — P/E ratio	14.98–15.09	**15.04**

Market multiple — P/E ratio is determined based on the price to earnings multiple of the comparable companies listed on the Main Board of the Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange which have similar business as the Group.

The fair value changes during the period between the shares issuance date and the period end date were recognised as fair value change through profit and loss. The directors of the Company considered that fair value changes in the convertible ordinary shares that are attributable to changes of credit risk of these liabilities are not significant.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non- cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

			Non-cash changes			
	01/01/2016	Financing cash flows(i)	Exchange effect	Fair value adjustments	Other changes(ii)	31/12/2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings *(Note 28)*	87,000	243,723	6,488	—	6,043	343,254
Dividend payable	—	(85,153)	—	—	85,153	—
	87,000	158,570	6,488	—	91,196	343,254

				Non-cash changes			
	01/01/2017	Financing cash flows(i)	Redesignation	Exchange effect	Fair value adjustments	Other changes(ii)	31/12/2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings *(Note 28)*	343,254	(223,863)	—	2,276	—	5,333	127,000
Convertible ordinary shares	—	280,459	241,442	—	233,228	—	755,129
	343,254	56,596	241,442	2,276	233,228	5,333	882,129

Notes:

(i) The cash flows from bank borrowings, amounts due to related parties and convertible ordinary shares make up the net amount of proceeds from borrowings and repayment of borrowings and issuance of convertible ordinary shares in the statement of cash flows.

(ii) Other changes include interest accruals and dividend declared.

31. PAID-IN CAPITAL/SHARE CAPITAL

Details of the movement of share capital are as follows:

	Number of shares	Nominal value per share US$	Share capital US$
Authorised			
At 31 December 2016 and 31 December 2017 *(note (i))*	**5,000,000,000**	**0.00001**	**50,000**

Issued	Ordinary shares	Class A ordinary shares	Class B convertible ordinary shares	Class C convertible ordinary shares	Total	Nominal value per shares US$	Share capital of ordinary shares and Class A ordinary shares US$
At 1 January 2016	19	–	–	–	19	1	19
Share split *(note (i))*	1,899,981	–	–	–	1,899,981		
After share split	1,900,000				1,900,000	0.00001	19
Issue of shares to investors *(note (ii))*	598,100,000	–	–	–	598,100,000	0.00001	5,981
Issue of shares to Acheson *(note (iii))*	25,000,000	–	–	–	25,000,000	0.00001	250
At 31 December 2016	625,000,000	–	–	–	625,000,000	0.00001	6,250
Redesignation of ordinary shares to Class A Shares *(note (iv))*	(625,000,000)	625,000,000		–	–	0.00001	–
Redesignation of Class A ordinary shares to Class B convertible ordinary shares *(note (v))*	–	(125,000,000)	125,000,000	–	–	0.00001	(1,250)
Issuance of Class C-1 convertible ordinary shares *(note 29)*	–	–	–	27,573,529	27,573,529	0.00001	–
Issuance of Class C-2 convertible ordinary shares *(note 29)*	–	–	–	110,294,118	110,294,118	0.00001	–
Issuance of Class C-3 convertible ordinary shares *(note 29)*	–	–	–	31,786,152	31,786,152	0.00001	–
Repurchase of Class A ordinary shares *(note (vi))*	–	(24,722,563)	–	–	(24,722,563)	0.00001	(247)
Issuance of Class C-3 convertible ordinary shares upon repurchase *(note (vi))*	–	–	–	24,722,563	24,722,563	0.00001	–
At 31 December 2017	**–**	**475,277,437**	**125,000,000**	**194,376,362**	**794,653,799**	**0.00001**	**4,753**

31. PAID-IN CAPITAL/SHARE CAPITAL (continued)

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Presented as	**32**	42

Notes:

(i) On 20 April 2016, the authorised share capital was sub-divided into 5,000,000,000 shares of a par value of US$0.00001 each by sub-dividing every share of a par value of US$1.00 each into 100,000 shares of a par value of US$0.00001 each. Upon completion of such sub-division, Boqi Environmental Engineering held 1,900,000 shares of the Company at a par value of US$0.00001 each (in total equal to RMB122), representing the entire issued share capital of the Company.

(ii) On 20 April 2016, the Company allotted and issued 23,100,000 shares, 192,857,143 shares, 207,857,143 shares, 49,285,714 shares and 125,000,000 shares at par for an aggregate of 598,100,000 ordinary shares with a par value of US$0.00001 each to Boqi Environmental Engineering, World Hero, Best Dawn, BES Investment Limited ("**BES Investment**") and New Asia, respectively.

(iii) On 20 April 2016, the Company proposed to implement the Pre-IPO Share Award Scheme under which Acheson will be appointed as the trustee of the employee trust (the "**Trust**") and the Trust will hold the scheme shares for the benefit of the selected employees pursuant to the rules of the Pre-IPO Share Award Scheme. The Company therefore allotted and issued at par to the Trustee 25,000,000 ordinary shares with a par value of US$0.00001 each (the "**Scheme Shares**").

(iv) On 9 January 2017, all of the Company's ordinary shares were redesignated to Class A ordinary shares.

(v) On 9 January 2017, the Company redesignated 125,000,000 Class A ordinary shares which were owned by New Asia to Class B convertible ordinary shares.

(vi) Subsequent to the investment by Sinopec and New Asia, on 11 January 2017, the Company, Mr. Cheng, World Hero and Full Synergy, the Company's financial investor, entered into a share transfer agreement whereby World Hero transferred 24,722,563 Class A ordinary shares in the Company to Full Synergy at the price of approximately RMB1.77 per share for a total consideration of the US dollars equivalent to RMB43,750,000. Immediately after the transfer, the Company agreed to repurchase the 24,722,563 Class A ordinary shares held by Full Synergy in a consideration for the allotment and issue of 24,722,563 Class C-3 convertible ordinary shares to Full Synergy.

32. NON-CONTROLLING INTERESTS

	At 31 December 2017 RMB'000
Balance at beginning of the year	–
Loss and total comprehensive expense for the year	(611)
Contribution from non-controlling interests shareholder *(Note)*	1,200
Balance at end of the year	589

Note:

On 17 July 2017, Beijing Boqi and a third party non-controlling shareholder established Beijing BoQi Environmental Remediation Co., Ltd. with shareholdings of 60% and 40%, respectively. The paid-in-capital of the investee is RMB10,000,000, of which RMB1,800,000 and RMB1,200,000 has been invested by Beijing Boqi and the non-controlling shareholder, respectively, as at 31 December 2017.

33. DIVIDENDS

In April 2016, the Company declared cash dividend of RMB85,153,000 to its then sole shareholder, Boqi Environmental Engineering. The dividend was paid in August 2016.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the reporting periods.

The capital structure of the Group consists of convertible ordinary shares, bank borrowings, non-trade nature amounts due to related parties, bank balances and cash and equity attributable to owners of the Company, comprising paid-in capital and reserves in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the results of the review of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Financial assets		
AFS investment	**9,000**	2,000
Loans and receivables (including cash and cash equivalents)	**2,076,634**	1,481,089
Financial liabilities		
Liabilities measured at amortised cost	**1,145,761**	1,117,387
Liabilities measured at FVTPL	**755,129**	—

Financial risk management objectives and policies

The Group's major financial instruments include AFS investment, trade and notes receivables, other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and notes payables, other payables, amounts due to related parties, bank borrowings and convertible ordinary shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, pledged bank deposits and bank balances. It is the Group's policy to keep its bank borrowings, pledged bank deposits and bank balances at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Lending Rate of the People's Bank of China, the Tokyo Interbank Offered Rate and the London Interbank Offered Rate arising from the Group's RMB denominated borrowings, JPY denominated borrowings and US$ denominated borrowings, respectively.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

35. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and cash, pledged bank deposits and variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would have increased/decreased by RMB2,670,000 (2016: RMB1,799,000), respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and pledged bank deposits and partially offset by the impact from bank borrowings.

Currency risk

The Group has bank balances which is denominated in foreign currencies, mainly US$, as at 31 December 2016 and 2017 and bank borrowings which is denominated in foreign currencies, mainly JPY and USD, as at 31 December 2016 that are exposed to currency risk.

Foreign currency sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external bank borrowings from the PRC banks' oversea branches. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If RMB had been appreciated/depreciated 5% against the foreign currency and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would have increased/decreased by RMB4,043,000 (2016: RMB7,204,000). This is mainly attributable to the Group's exposure to foreign currency rates of US$ and JPY on its bank borrowings as at 31 December 2016 and the foreign currency bank balance as at 31 December 2017.

35. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis (continued)

Other price risk

The Group is exposed to other price risk in respect of its AFS investment which is carried at fair value with changes in fair value recognised in the profit or loss. The Group is not exposed to commodity price risk.

Sensitivity analysis

The Group's AFS investment is publicly traded on NEEQ. If the equity price of the investment held by the Group had been 5% higher/lower, the other comprehensive expense for the year ended 31 December 2017 would have been approximately RMB446,000 lower (2016: the other comprehensive income would have been RMB85,000 higher).

Credit risk

The Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the financial guarantee provided by the Group as disclosed in note 37(e).

The Group's credit risk is primarily attributable to its trade and notes receivables, receivables under concession arrangement, other receivables and amounts due from related parties. An allowance for doubtful debts for trade and notes receivables, receivables under concession arrangement, other receivables and amounts due from related parties is made when there is an identified loss event which, based on previous experience and management's assessment of the current economic environment and the financial condition of counterparties, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, investments to be placed and entered into with financial institutions of good reputation. These internal procedures help minimise the Group's credit risk exposure.

35. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)

Credit risk (continued)

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with high credit ratings.

Due to the nature of business of the Group, the Group has significant concentration of credit risk on a number of customers and the financial guarantee provided by the Group as disclosed in note 37(e). As at 31 December 2017, the aggregate amount of the Group's trade and notes receivables to the top five customers was RMB225,456,000, representing 33.8% (31 December 2016: RMB350,751,000, 47.9%) of the total trade and notes receivables of the Group as at the year end, respectively. In addition, the receivables under concession arrangements was RMB408,084,000 as at 31 December 2017, which was due from one customer newly engaged during the year ended 31 December 2017. Furthermore, the Group's concentration of credit risk by geographical locations is solely in the PRC. In the opinion of the directors of the Company, those customers are mainly large electricity companies with good financial backgrounds.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

The amounts included in below tables for guarantee are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the bank to the guarantor. The directors of the Company have represented that they considered the initial fair value of such guarantee was immaterial and that the borrower has made repayments to the bank in accordance with the scheduled repayment dates set out in the bank borrowing agreements, it is not probable that the Group will result in payment under such financial guarantee.

35. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)

Liquidity risk (continued)

	Weighted average effective interest rate	On demand or within 3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying value
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017							
Financial liabilities							
Trade and notes payables	–	720,727	–	–	–	720,727	720,727
Other payables	–	292,538	–	–	–	292,538	292,538
Amounts due to related parties	–	5,496	–	–	–	5,496	5,496
Bank borrowings	4.41	1,432	103,589	27,893	–	132,914	127,000
Guarantee	–	–	–	66,000	–	66,000	–
		1,020,193	103,589	93,893	–	1,217,675	1,145,761
At 31 December 2016							
Financial liabilities							
Trade and notes payables	–	693,739	–	–	–	693,739	693,739
Other payables	–	80,261	–	–	–	80,261	80,261
Amounts due to related parties	–	133	–	–	–	133	133
Bank borrowings	3.07	2,635	299,784	50,326	–	352,745	343,254
Guarantee	–	–	–	66,000	–	66,000	–
		776,768	299,784	116,326	–	1,192,878	1,117,387

Fair value measurement

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

This note provides information about how the Group determines fair values of the following financial assets.

	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique and key input
	RMB'000	RMB'000		
Equity investment in the PRC *(note 17)*	**9,000**	2,000	Level 3	Discounted cash flow based on the future cash flow of the company's operations
Convertible ordinary shares	**755,129**	—	Level 3	Market Approach

35. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)

Fair value of convertible ordinary shares

The convertible ordinary shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation technique. The directors of the Company have used market approach to determine the fair value of the convertible ordinary shares. Key unobservable input, such as market multiple — P/E ratio is disclosed in note 29.

Fair value of convertible ordinary shares is primarily affected by market multiples — P/E ratio. If the market multiple — PE ratio had increased/decreased by 10% with all other variables held constant, profit before income tax for the year ended 31 December 2017 would have been approximately RMB72,189,000 lower/higher, respectively.

There were no transfers between Level 1 and 2 during the year ended 31 December 2017 (2016: nil).

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short maturity, initially recognised close to the end of reporting period, or with floating interest rates.

36. OPERATING LEASES

The Group as lessor

Leasing arrangements

Operating leases relate to the investment properties owned by the Group are with lease terms of two years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Group from its investment properties and direct operating expenses arising on the investment properties are set out in note 9.

Non-cancellable operating lease receivables

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Within one year	**1,362**	1,491
In the second to fifth year, inclusive	**944**	100
	2,306	1,591

36. OPERATING LEASES (continued)

The Group as lessee

Minimum lease payments paid under operating leases during the year ended 31 December 2017 and 2016 are as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Premises	**9,337**	8,167

At the end of the reporting period, the Group had commitments for future minimum lease payments under non- cancellable operating leases which fall due as follows:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Within one year	**10,299**	7,972
In the second to fifth year, inclusive	**19,406**	—
	29,705	7,972

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

37. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Deposit paid for the acquisition of assets

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Deposit paid for the acquisition of assets		
Guangdong Huaxia Electric Power Development Co., Ltd *(Note)*	—	136,000

Note:

Guangdong Huaxia Electric is indirectly owned and controlled by Mr. Zhu Weihang, a non-executive director and shareholder of the Company. On 20 May 2016, Beijing Boqi entered into the Cooperation Framework Agreement with Guangdong Huaxia Electric and Yangxi Electric, pursuant to which Yangxi Electric agreed to split itself into separate companies for the purpose of allocating and assigning #1–#4 desulfurisation and denitrification facilities ("**Yangxi Facilities**") to them (the "**SPVs**"), and to establish a new company for the purpose of allocating and assigning #5–#6 desulfurisation and denitrification facilities to it. After such allocation and assignment, Beijing Boqi will acquire the entire equity interest in the SPVs in accordance with the terms of the Cooperation Framework Agreement. On 30 December 2016, Beijing Boqi paid to Yangxi Electric the sum of RMB136,000,000, being 20% of the consideration for the acquisition of as a deposit for the Cooperation Framework Agreement. The amount has been returned by Guangdong Huaxia on 4 September 2017 upon the termination of the acquisition.

(b) Amounts due from related parties

Amounts due from related parties — trade nature

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Yangxi Haibin Electric Power Development Co., Ltd. ("**Yangxi Electric**")	18,860	800
Yangmei Group Shouyang Boqi Electricity Co., Ltd. ("**Shouyang Power**")	18,714	37,089
Han Chuan Long Yuan	—	4,577
Qujing Yunneng Touxing Energy Electricity Co., Ltd.	—	144
Sinopec Shanghai Petrochemical Company Limited ("**Sinopec Shanghai**")	32,597	—
	70,171	42,610

37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Amounts due from related parties (continued)

Amounts due from related parties — trade nature (continued)

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Analysed for reporting purpose as:		
Current assets	**70,171**	42,466
Non–current assets	**—**	144
	70,171	42,610

The Group generally grants a credit period of 90 days to its related parties. Aging analysis of amounts due from related parties — trade nature, based on invoice date, is as follows:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
1–90 days	**50,672**	41,666
91–180 days	**10,503**	—
181–365 days	**8,196**	800
1–2 years	**800**	—
Over 3 years	**—**	144
	70,171	42,610

Aging analysis of amounts due from related parties — trade nature that are past due but not impaired is as follows:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
1–90 days	**10,503**	—
91–180 days	**8,196**	800
1–2 years	**800**	—
Over 3 years	**—**	144
	19,499	944

37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Amounts due from related parties (continued)

Amounts due from related parties — non–trade nature

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Yangxi Electric *(note (i))*	**139,690**	—
Boqi Environmental Engineering *(note (ii))*	**18,324**	18,328
Han Chuan Long Yuan *(note (ii))*	**234**	165
Mr. Cheng *(note (ii))*	**—**	1,200
	158,248	19,693

Notes:

(i) On 28 August 2017, the Group entered into a revised management service agreement with Guangdong Huaxia Electric and Yangxi Electric to extend the O&M service term from 1 January 2017 to 31 December 2017 to a term from 1 January 2017 to 31 December 2025 and require a deposit of RMB139,690,000, which was paid by the Group on 31 December 2017. The deposit is unsecured, interest-free and repayable at the end of the O&M service term.

(ii) The balances are all unsecured, interest–free and repayable on demand.

Maximum amount outstanding during the year are as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Yangxi Electric	**139,690**	—
Boqi Environmental Engineering	**18,328**	18,500
Han Chuan Long Yuan	**420**	165
Mr. Cheng	**—**	1,200
	158,438	19,865

37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Amounts due from related parties (continued)

Amounts due from related parties — non–trade nature (continued)

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Analysed for reporting purpose as:		
Current assets	**234**	1,365
Non-current assets	**158,014**	18,328
	158,248	19,693

(c) Amounts due to related parties

Amounts due to related parties — trade nature

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Wuhan BOCH	**—**	132
Richinfo Technology Co., Ltd *(note (i))*	**86**	—
	86	132

Note:

Richinfo is owned as to 49.5% by Mr. Zeng and an independent third party in aggregate acting-in-correct with each other.

The credit period granted by the related parties is ranging from 30 to 90 days. Aging analysis of amounts due to related parties — trade nature is as follows:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
1–90 days	**86**	—
Over 3 years	**—**	132
	86	132

37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Amounts due to related parties (continued)

Advance from related parties

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Sinopec Shanghai *(Note)*	**5,410**	—
	5,410	—

Note:

The balances represent the advance payment from related parties in relation to the EPC service provided by the Group.

Amounts due to senior management personnel

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Lu Jing *(Note)*	**–**	1
	–	1

Note:

The balances are mainly payable for expense reimbursement, which are unsecured, interest free and repayable on demand.

37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) The transactions with related parties during the years reported are listed out below:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Yangxi *(note (1))*		
— O&M service	**197,061**	—
— Interest income	**2,510**	—
— Water and electricity, labor, spare parts and miscellaneous items charged by Yangxi	**84,944**	—
Shouyang Power *(note (2))*		
— EPC service	**23,329**	55,920
Sinopec Shanghai *(note (3))*		
— EPC service	**146,990**	—
Sinopec Shanghai Gaoqiao *(note (4))*		
— EPC service	**8,154**	—
Han Chuan Long Yuan *(note (5))*		
— EPC service and consulting service fee	**—**	17,958
Boqi Environmental Engineering (*note (6)*)		
— Purchase of equipments	**—**	26,793
Richinfo Technology Co., Ltd. ("**Richinfo**")		
— Purchase of intangible assets	**745**	63
Sinopec Fushun Petrochemical Research Institute ("**Fushun Research Institute**")		
— EPC consulting fee *(note (7))*	**2,150**	—
— Designing service	**472**	—

Notes:

(1) In December 2016, the Group entered into a management service agreement, pursuant to which the Group provided O&M service to Yangxi Electric, and RMB197,061,000 was recognised as revenue during the year ended 31 December 2017. The Group also purchases water and electricity, labor, space parts and miscellaneous items from Yangxi to support the O&M service. During the year ended 31 December 2017, the Group purchased RMB84,944,000 water and electricity, labor, space parts and miscellaneous items from Yangxi;

(2) In December 2015, the Group entered into an EPC service contract with Shouyang Boqi for a total contract amount of RMB287,560,000, of which RMB23,329,000 were recognized as revenue during the year ended 31 December 2017 (31 December 2016: RMB55,920,000);

(3) In March 2017, the Group entered into an EPC service contract with Sinopec Shanghai for a total contract of RMB224,626,000, of which RMB146,990,000 was recognised as revenue during the year ended 31 December 2017;

37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) The transactions with related parties during the years reported are listed out below: (continued)

(4) In April 2017, the Group entered into EPC service contract with Sinopec Shanghai Gaoqiao for a total contract amount of RMB16,990,000, of which RMB8,154,000 was recognised as revenue during the year ended 31 December 2017;

(5) During the year ended 31 December 2016, the Group completed an EPC service contract with its associate, Han Chuan Long Yuan, with total contract of RMB17,761,000. During the years ended 31 December 2016, the Group has also entered into consulting service contract with Han Chuan Long Yuan, of which RMB197,000 were recognised as revenue during the years ended 31 December 2016, respectively.

(6) During the year ended 31 December 2015 and 2016, the group purchases equipments from the overseas suppliers through Boqi Environmental Engineering for certain EPC services provided by the Group. The group purchased RMB26,793,000 equipments during the year ended 31 December 2016.

(7) In September 2017, the Group entered into a technology licensing contract with Fushun Research Institute, an entity of which the controlling shareholder has significant influence in the company, pursuant to which the Group was licensed to use certain patents and know–how of Fushun Research Institute from the contract signing date to the end of December 2018.

(e) Guarantees provided to Han Chuan Long Yuan

On 18 July 2014 and 15 January 2015, the Company and the Wuhan branch of China Everbright Bank entered into two separate financial guarantee contracts, pursuant to which Beijing Boqi will provide guarantees for the liabilities under the maximum credit limit amounting to RMB45,000,000 and RMB21,000,000, respectively, arising from securing two bank term loans to Han Chuan Long Yuan, for the loan period from 18 July 2014 to 17 July 2021 and from 15 January 2015 to 14 January 2022, respectively. The Company has considered the initial fair value of such guarantee was immaterial and that Han Chuan Long Yuan has made repayments to China Everbright for their bank loans in accordance with the scheduled repayment dates set out in the bank borrowing agreements, it is not probable that the Group will result in payment under such financial guarantee.

(f) Compensation of key management personnel

The remuneration of key management personnel which represent the directors and key executives of the Company for the years reported are as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Salaries and other benefits	**3,260**	3,260
Contributions to retirement benefits scheme	**171**	159
Total emoluments	**3,431**	3,419

37. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(f) Compensation of key management personnel (continued)

The remuneration of the directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Same as disclosed above, there were no other significant transactions with related parties during the years reported or other significant balances with them at the end of each reporting period.

38. RETIREMENT BENEFITS PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefits scheme during the years reported are disclosed in notes 9 and 11.

39. SHARE-BASED PAYMENT

The Company adopted the Pre-IPO Share Award Scheme ("**Scheme**") pursuant to a resolution passed by the directors of the Company on 15 April 2016, through which a total of 25,000,000 shares ("**Awarded Shares**") at a par value of US$0.00001 each were issued to Acheson (the "**Trust**") on 11 May 2016, who will hold the Awarded Shares for the benefit of the eligible employees ("**Selected Employees**") and facilitate the purchase, holding and/or vesting of such Awarded Shares as a trustee pursuant to the trust deed ("**Trust Deed**") signed by the Company. The Trust was established pursuant to the Trust Deed dated 2 September 2016 with retrospective effect from 10 May 2016.

A management committee has been established and authorised by the directors of the Company to make all determination and provide directions to the Trustee in relation to the Scheme (the "**Committee**"). The Pre-IPO Share Award Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Selected Employees are entitled to subscribe for the Awarded Shares at the price of RMB0.85 per Awarded Share by way of a loan provided by the Company. The Awarded Shares shall vest in three tranches on the following vesting dates provided that the vesting conditions applicable to such Selected Employee are satisfied:

(i) 50% on the date of listing of the Company's share on the Main Board of the Stock Exchange of Hong Kong Limited ("**Listing**" and "**Listing Date**") (the "**First Vested Shares**"), provided the Selected Employees remain in service until the first trading day following the first anniversary of the Listing Date;

39. SHARE-BASED PAYMENT (continued)

(ii) 25% on the first trading date following the first anniversary of the Listing Date; and

(iii) 25% on the first trading date following the second anniversary of the Listing Date.

Upon the date of Listing, the trustee will sell the First Vested Shares under the instruction of the Committee. The proceeds, after netting off the loan borrowed by the respective Selected Employees ("**Net Proceed**"), 80% of which will be paid to the Selected Employees. However, if such Selected Employee terminates its employment with the Group during the one-year period after the Listing Date, the Net Proceed received should be repaid to the Company. The remaining 20% of the Net Proceed will be paid provided that such Selected Employee continues to serve the Company for one year after the Listing Date. If the proceeds are less than the amount of the loan borrowed, the Selected Employees will still need to repay the loan to the Company.

The expected vesting period for tranche (i) and (ii) is one year after the Listing Date and the expected vesting period for tranche (iii) is two years after the Listing Date.

On 7 September 2016, the Company granted 23,170,000 Awarded Shares to the Selected Employees.

The details of the Awarded Shares granted for the year ended 31 December 2016 are as follows:

Number of Awarded Shares granted	Grant date	Expiry date	Purchase price RMB
23,170,000	7 September 2016	7 September 2026	0.85

At the end of each reporting period, the Company will revise its estimates of the number and timing of shares that are expected to vest ultimately. The impact of the revision of the estimates, if any, will be recognised in profit or loss, with a corresponding adjustment to the share options reserve.

In accordance with the Trust deed entered into between the Trust and the Company ("**Trust Deed**"), the Company has the control over the Trust. Therefore, the Trust is consolidated by the Group. Accordingly, the shares issued and held by Acheson should be treated as treasury shares and shown separate amounts in the consolidated statement of changes in equity. In addition, finance costs and administration expenses of the trust are recognised by the Company.

All outstanding vested share awards were measure in accordance with IFRS 2 at their market-based measure at the acquisition date. Fair value of the share-based awards granted under the Scheme utilised a discounted cash flow method to capture the present value of the expected future economic benefits which is determined by the directors of the Company by referencing to a valuation carried out by GW Financial Advisory Services Ltd. an independent qualified professional valuer not connected with the Group.

39. SHARE-BASED PAYMENT (continued)

Movements in Awarded Shares during the year

The following reconciles the shares outstanding at the beginning and end of the year:

	Number of shares	Weighted average purchase price RMB
Balance at 1 January 2016	—	—
Granted during the year	23,170,000	0.85
Balance at 31 December 2016	23,170,000	0.85
Forfeited during the year	(925,000)	0.85
Balance at 31 December 2017	**22,245,000**	**0.85**

The Company recognised a total share-based payment expenses of RMB7,206,000 in profit or loss during the year ended 31 December 2017 (2016: RMB4,049,000) in relation to the Awarded Shares granted by the Company.

40. COMMITMENT FOR CAPITAL EXPENDITURE

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Commitments for construction of infrastructure under concession operation (contracted but not provided for)	**116,209**	37,687

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Non-Current Assets		
Investments in subsidiaries	**1,082,859**	1,082,859
Current Assets		
Inventories	**7,271**	—
Prepayments, deposits and other receivables	**7,282**	5,723
Amounts due from subsidiaries	**26,958**	24,711
Amounts due from related parties — current	**—**	2
Bank balances and cash	**80,873**	32,181
	122,384	62,617
Current liabilities		
Trade and notes payables	**—**	1,839
Other payables, deposits received and accrued expenses	**10,641**	15,201
Bank borrowings	**—**	176,254
	10,641	193,294
Net current assets (liabilities)	**111,743**	(130,677)
Non-Current Liabilities		
Class B and Class C convertible ordinary shares	**755,129**	—
	755,129	—
Net assets	**439,473**	952,182
Capital and reserves		
Paid-in capital/share capital	**32**	42
Reserves	**439,441**	952,140
Total equity	**439,473**	952,182

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

The movements in the reserves of the Company are shown as follows:

	Treasury shares RMB'000	Merger reserve RMB'000	Other reserve RMB'000	Share premium reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	—	—	—	—	(373)	(373)
Profit and total comprehensive income for the year	—	—	—	—	59,732	59,732
Arising from the reorganisation *(note)*	—	371,500	—	711,359	—	1,082,859
Deemed distribution to a shareholder	—	—	(130,310)	—	—	(130,310)
Issuance of share awards	(2)	—	—	21,338	—	21,336
Share-based compensation expenses	—	—	—	4,049	—	4,049
Dividend distribution	—	—	—	—	(85,153)	(85,153)
At 31 December 2016	(2)	371,500	(130,310)	736,746	(25,794)	952,140
Loss and total comprehensive expense for the year	—	—	—	—	(278,473)	(278,473)
Share-based compensation expenses	—	—	—	7,206	—	7,206
Redesignation of Class A ordinary shares to Class B convertible ordinary shares	—	—	—	(201,329)	—	(201,329)
Repurchase of Class A shares	—	—	—	(40,103)	—	(40,103)
At 31 December 2017	**(2)**	**371,500**	**(130,310)**	**502,520**	**(304,267)**	**439,441**

Note:

Total amount represents the difference between the net assets value of Beijing Shengyi at the reorganisation date and the notional value of the shares issued by the Company.

42. PARTICULARS OF SUBSIDIARIES

At end of each reporting periods, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiary	Place of establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company As of 31 December 2017 %	2016 %	Principal activities
CBEE	British Virgin Islands	–	**100**	100	Investment holding
Beijing Shengyi	The PRC	RMB371,500,000	**100**	100	Investment holding
Beijing Bosheng	The PRC	RMB10,000,000	**100**	100	Investment holding
Beijing Boqi	The PRC	RMB400,000,000	**100**	100	Environmental protection facilities engineering, operation and maintenance services
Jinggangshan Boqi	The PRC	RMB81,000,000	**100**	100	Concession operation services
浙江博奇電力科技有限公司 Zhejiang Boqi Electric Power SCI-TECH Co., Ltd. ("**Zhejiang Boqi**")	The PRC	RMB20,000,000	**100**	100	Inactive
山西蒲州博奇環保科技有限公司 Shanxi PuzhouBoqi Environmental Technology Co., Ltd. ("**Puzhou Boqi**")	The PRC	RMB55,000,000	**100**	100	Concession operation services
Hejin Boqi	The PRC	RMB25,000,000	**100**	100	Concession operation services
安徽能達燃料有限公司 Anhui Nengda Fuel Co., Ltd. ("**Anhui Nengda**")	The PRC	RMB20,000,000	**100**	100	Sale of coal and chemicals

42. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company As of 31 December 2017 %	2016 %	Principal activities
山西博源奇晟環保設備服務有限公司 Shanxi Bo Yuan Qi Cheng Environmental Equipment Service Co., Ltd. ("**Shanxi Bo Yuan**")	The PRC	RMB10,000,000	**100**	100	Operation and maintenance services
昌吉州博奇環保科技有限公司 Changjizhou Boqi Environmental Technology Co., Ltd. ("**Changjizhou Boqi**")	The PRC	RMB140,000,000	**100**	N/A	Environmental protection facility engineering, operation and maintenance services
北京博奇環境修復有限公司 Beijing Boqi Environmental Remediation Tech Co. Ltd. ("**Boqi Remediation**")	The PRC	RMB3,000,000	**60**	N/A	Technology service, engineering exploration service

43. SUBSEQUENT EVENTS

On 16 March 2018, the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited, upon when all of the Company's Class B and Class C convertible ordinary shares were converted into Class A ordinary shares. The fair value of such Class B and Class C convertible shares was changed to RMB621,588,000, which was recorded as the Company's equity upon such conversion.

Save as disclosed above, there has been no other material events subsequent to the year, which require adjustment or disclosure in accordance with IFRSs.