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博奇
BOQI

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

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

ANNUAL RESULTS 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 last year.

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 last year, respectively.

For the year ended 31 December 2017, the net profit of the Group amounted to RMB-37 million, and the net profit margin of the Group was -2.8%, representing a decrease of 124.3% and 14.0 percentage points as compared with last year.

If excluding the estimated fair value loss on the Class B Shares and Class C Shares from our net profit, the adjusted profit for the year ended 31 December 2017 was RMB196 million, the net profit margin was 14.76%, representing an increase of 28.95% and 3.52 percentage points as compared with last year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

The board (the "**Board**") of directors (the "**Directors**") of China Boqi Environmental (Holding) Co., Ltd. (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**") is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2017 (the "**2017 Financial Year**"), together with comparative figures for the corresponding period of 2016 (the "**2016 Financial Year**").

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
REVENUE	*2*	**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	*3*	**36,175**	28,397
Selling and distribution expenses		**(18,318)**	(15,859)
Administrative expenses		**(88,892)**	(72,376)
Share of profit of an associate		**31,694**	14,833
Finance costs		**(5,333)**	(6,043)
Change in fair value of convertible ordinary shares	*11*	**(233,228)**	—
Listing expenses		**(14,114)**	(9,141)
PROFIT BEFORE TAX		**5,226**	193,457
Income tax expense	*4*	**(42,255)**	(41,416)
(LOSS)/PROFIT FOR THE YEAR	*5*	**(37,029)**	152,041
Other comprehensive (expense)/income for the year:			
Item 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 (expenses)/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

	Note	Year ended 31 December **2017** ***RMB'000***	2016 *RMB'000*
Total comprehensive (expenses)/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 and diluted (RMB)	*6*	**(0.08)**	0.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		At 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**67,021**	33,421
Investment properties		**12,982**	13,616
Intangible assets		**425,140**	415,603
Receivables under service concession arrangement-non-current	*7*	**384,565**	—
Investment in an associate		**70,098**	51,755
Available-for-sale investment		**9,000**	2,000
Deposit paid for the acquisition of assets		**—**	136,000
Amounts due from related parties — non-current		**158,014**	18,472
Deferred tax assets		**21,995**	35,583
Total non-current assets		**1,148,815**	706,450
CURRENT ASSETS			
Receivables under service concession arrangement-current	*7*	**23,519**	—
Inventories		**25,429**	22,052
Amounts due from customers for contract work		**95,348**	117,978
Trade and notes receivables	*8*	**667,253**	732,991
Prepayments, deposits and other receivables		**70,176**	78,610
Amounts due from related parties-current		**70,405**	43,831
Pledged bank deposits		**54,383**	291,603
Bank balances and cash		**689,354**	348,341
Total current assets		**1,695,867**	1,635,406
CURRENT LIABILITIES			
Trade and notes payables	*9*	**720,727**	693,739
Other payables, deposits received and accrued expenses	*10*	**405,489**	223,949
Amounts due to customers for contract work		**27,708**	16,261
Income tax payable		**17,719**	20,573
Other tax liabilities		**32,385**	26,802
Bank borrowings		**100,000**	296,254
Amounts due to related parties		**5,496**	133
Total current liabilities		**1,309,524**	1,277,711

		At 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Net current assets		**386,343**	357,695
Total assets less current liabilities		**1,535,158**	1,064,145
NON-CURRENT LIABILITIES			
Bank borrowings		**27,000**	47,000
Class B and Class C convertible ordinary shares	*11*	**755,129**	—
		782,129	47,000
Net assets		**753,029**	1,017,145
Capital and reserves			
Paid-in capital /share capital		**32**	42
Reserves		**752,408**	1,017,103
Equity attributable to owners of the Company		**752,440**	1,017,145
Non-controlling interests		**589**	—
		753,029	1,017,145

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 (the "**Stock Exchange**") on 16 March 2018. The addresses of the registered office of the Company and principal place of business of the Company and its subsidiaries are disclosed in the section headed Corporate Information of the annual report. The Company's ultimate controlling shareholders are Mr. Cheng Liquan Richard ("**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 consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2. 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

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

	Segment revenue Year ended 31 December		Segment profit Year ended 31 December	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*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 expense			**(14,114)**	(9,141)
Profit before tax			**5,226**	193,457

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.

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

Major customers

Customers during the year reported contributing over 10% of the total revenue of the Group are as follows:

	Segment	Year ended 31 December 2017 RMB'000	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 these 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	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 People's Republic of China (the "**PRC**"). Substantially all non-current assets and revenue of the Group are located in and generated from the PRC.

3. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	*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
(Provision of) reversal 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

4. INCOME TAX EXPENSE

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

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. Accordingly, 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. Accordingly, 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 ended 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 entity, 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 statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*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

5. (LOSS)/PROFIT FOR THE YEAR

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
(Loss)/Profit for the year has been arrived at after charging (crediting):		
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

6. (LOSS) EARNINGS PER SHARE

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

(Loss)/earnings figures are calculated as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*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 (loss)/earnings per share	**453,694,494**	600,000,000
Effect of dilutive potential ordinary shares:		
Weighted average number of ordinary shares for the purpose of calculating 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 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 2017 and 2016 has not considered the effect of the shares issued under the share award scheme adopted by the Company on 15 April 2016 ("**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.

7. 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 upgrade 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 is 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

The Group estimated the fair value of the receivable 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 concessions 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 concessions arrangements provided as at 31 December 2017. While the Company consider the credit risk is minimal, the collection of receivables under services concession arrangements is closely monitored by the Company in order to minimise any credit risk associated with the receivables.

8. TRADE AND NOTES RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	*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 management believes that no impairment allowance is necessary as there is no significant change in credit quality and the balances are considered fully recoverable.

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

	At 31 December	
	2017	2016
	RMB'000	*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	2016
	RMB'000	*RMB'000*
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

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 contract. 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	2016
	RMB'000	*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.

9. TRADE AND NOTES PAYABLES

	At 31 December	
	2017	2016
	RMB'000	*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 services 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	2016
	RMB'000	*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

10. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

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

Details of the movements of 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: Accrued liabilities mainly represents the expected loss for onerous contract recorded when it is probable that total contract costs will exceed total contract revenue.

11. 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*
Redesiganation 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**

Note:

(i) On 9 January 2017, the Company redesignated 125,000,000 Class A Shares held by New Asia Limited ("**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 Overseas Investment Holding Limited ("**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 Investment Limited ("**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

(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 Rata 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 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.

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 statement of profit or loss.

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.

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.

12. SUBSEQUENT EVENTS

On 16 March 2018 ("**Listing Date**"), the Company was successfully listed (the "**Listing**") on the Main Board of the Stock Exchange, upon which 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

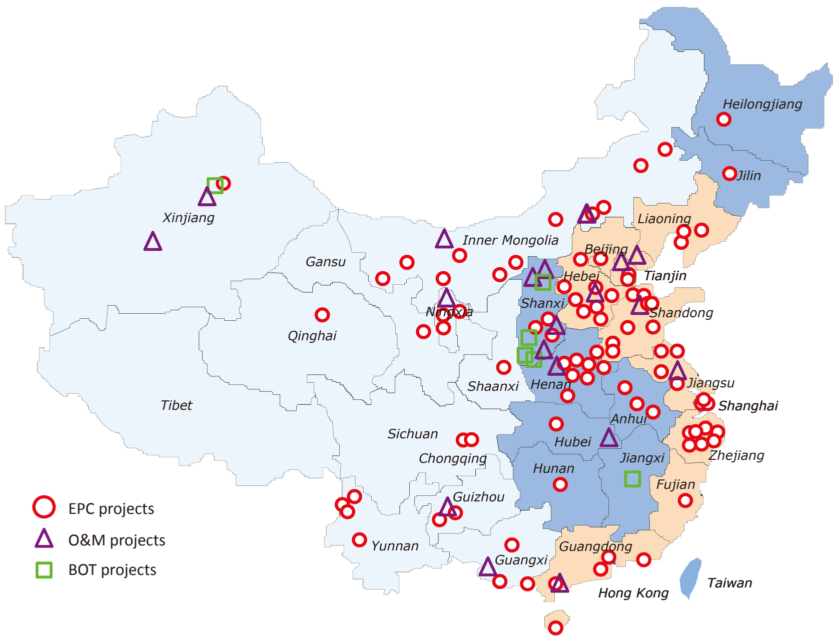
According to the Frost & Sullivan Report, boosted by favourable government policies, the market capacity of environmental protection facility (flue gas desulfurization and denitrification and dust removal) engineering market maintains a stable growth and is expected to continue to grow by 2021. Further, 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 year ended 31 December 2017 (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. We enter into project contracts with coal-fired power plants and other customers for the provision of our services mainly based on three business models: environmental protection facility engineering (the "**EPC**"), operation and maintenance ("**O&M**") business and concession operations (which includes "**Build-Operate-Transfer**" or "**BOT**" and "**Transfer-Operate-Transfer**" or "**TOT**"). We use different business models for different projects in our 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

Our 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. 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%

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)]
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)]
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

Our 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. We renewed 89% of our O&M contracts that expired in the 2017 Financial Year. As at 31 December 2017, we have 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 our O&M projects 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
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) we may further renew our service contract with our customer upon expiration based on our negotiation with 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.

Project name	**Installed capacity**	**Type of project**	**Newly built/ upgraded**	**Total investment**	**Date of contract**	**Ending date of concession period**
				RMB millions	*(Year/ Month)*	*(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 our Xinjiang Shenhuo BOT Project, we acquired certain flue gas desulfurization, denitrification and dust removal facilities, which we in turn upgrade at our own expenses. We expect to recover our investments in the acquisition and upgrading of the relevant facilities through the service fees we charge during the subsequent concession operation period.

III. Financial Position and Operating Results

The overall operating results and financial conditions of the Company for 2017 improved substantially as compared with 2016. As one of our strategies, our 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 we continued to optimize capital structure, our 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.

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	2016
	RMB'000	*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 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 O&M project obtained by the Group in 2017 for large-scale electricity generating facilities.

Revenue from concession operation business increased 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

Our 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 our EPC business, which was partially offset by an increase in costs of our 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. Our 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 new O&M projects 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. Our cost of sales and services for concession operation business decrease 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, our 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 our gross profit and gross profit margin for each of our business segments for the periods stated.

	For the year ended 31 December			
	2017		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

Our gross profit for 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 our EPC revenue and a decrease in our gross profit margin for certain EPC projects, which decrease from 15.0% for the 2016 Financial Year to 7.8% for the 2017 Financial Year.

Our gross profit for 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 increase from 23.0% for the 2016 Financial Year to 31.5% for the 2017 Financial Year, primarily due to our new O&M project for large-scale power generating facilities, which has a relatively higher gross profit margin.

Our gross profit for 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 increase from 24.5% for the 2016 Financial Year to 32.7% for the 2017 Financial Year, primarily due to (i) an increase in our 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	2016
	RMB'000	*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

Our 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, we recorded foreign exchange losses of RMB10 million for the 2017 Financial Year, primarily attribute to foreign exchange losses on our USD-denominated deposits as a result of changes in the exchange rate of US dollars against Renminbi.

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

Our 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. Our finance costs decreased by 16.7% from RMB6 million in 2016 to RMB5 million in 2017, primarily due to the repayment made by us in March 2017 to the working capital loan incurred towards the end of 2016 and a decrease in the balance of our project finance loan for our BOT project resulting from our 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 the Listing Date.

Listing Expenses

We have incurred listing expenses of RMB14 million in connection with the Listing for the year ended 31 December 2017, which include 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 20% pursuant to the applicable PRC taxation law. Our Company, which was incorporated in the Cayman Islands, is not subject to any Cayman Islands taxation.

Although our profit before tax decreased from RMB193 million to RMB5 million from 2016 to 2017, our 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, we 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, 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**	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.

Our 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. Our 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 we 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.

Our 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 we 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.

Our 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, we 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-tem 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 RMB225,456, 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 RMB408,084,000 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 the 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. 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 "Belt and Road" National Strategy to Explore the Overseas Markets

By leveraging the "Belt and Road" strategy and the national "Green Finance" policy, the Group will explore overseas markets in countries alongside the "Belt and Road", such as Turkey, Serbia, India, 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. 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).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies during the 2017 Financial Year.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2017, the Group had total of 1,375 employees (2016: 1,335 employees). For the year ended 31 December 2017, the Group incurred total staff costs of approximately

RMB142 million (2016: RMB123 million), representing an increase of approximately 19 million as compared with those in 2016.

The remuneration package for our employees includes salaries, bonuses and allowances. Our employees are entitled to a variety of benefits, including medical care, housing subsidies, retirement and other benefits. The remuneration of the employees was based on their performance, work experience, skills, knowledge and the prevailing market wage level.

The Company adopted a Pre-IPO Share Award Scheme on 15 April 2016 under which the Company awarded shares to certain eligible employees.

We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We organize professional skill training for our employees on a regular basis.

USE OF PROCEEDS

On 16 March 2018, 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 announcement, 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.

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 (HK) 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 entered into three new contracts during the period between January to March 2018 with a total contract amount of RMB152.22 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 announcement, 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 announcement.

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 announcement (the "**Period**").

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 (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**") to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner.

During the Period, the Company has fully complied with the CG Code.

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.

Audit Committee and Review of Financial Statements

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As at the date of this announcement, 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 consolidated 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. Based on the review and discussions with the management, the Audit Committee was satisfied that the Group's 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.

REVIEW OF ANNUAL RESULTS

Scope of work of Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary results announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu ("**DTT**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by DTT in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by DTT on the preliminary announcement.

Annual General Meeting

The annual general meeting is scheduled to be held on 15 June 2018 (the "**AGM**"). 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.

Publication of Annual Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaboqi.com) and the 2017 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Boqi Environmental (Holding) Co., Ltd.
Cheng Liquan Richard
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises Cheng Liquan Richard and Zeng Zhijun, as executive Directors; Tony Tuo Zheng, Chen Xue and Zhu Weihang, as non-executive Directors; and Xie Guozhong, Liu Genyu and Lu Zhifang, as independent non-executive Directors.

For identification purposes only