中國水業集團有限公司*
CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1129)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2017	2016	Change
	HK$'000	*HK$'000*	**%**
Financial Results			
Revenue	**701,524**	550,646	27.40%
Gross profit	**268,839**	223,982	20.03%
Profit for the year	**10,902**	84,902	(87.16%)
(Loss)/profit attributable to owners of the Company	**(49,111)**	31,263	(257.09%)
(Loss)/earnings per share (HK cents) – Basic and diluted	**(3.08)**	1.96	(257.14%)
EBITDA *(Note)*	**197,745**	223,978	(11.71%)

	2017	2016	Change
	HK$'000	*HK$'000*	%
Financial Position			
Total assets	**3,127,553**	2,752,832	13.61%
Total liabilities	**1,307,917**	1,114,625	17.34%
Current assets	**1,219,728**	1,205,620	1.17%
Current liabilities	**851,486**	860,393	(1.04%)
Current ratio	**1.43 times**	1.40 times	2.14%
Cash and cash equivalents	**297,883**	459,179	(35.13%)
Gearing ratio	**41.82%**	40.49%	3.28%
Net asset value	**1,819,636**	1,638,207	11.07%
Equity attributable to owners of the Company	**1,305,399**	1,263,852	3.29%
Equity attributable to owners of the Company per share (HK$)	**0.82**	0.79	3.80%

Note: Profit before finance costs, income tax, depreciation and amortisation.

The Board of Directors (the "**Board**") of China Water Industry Group Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017 together with comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	3	**701,524**	550,646
Cost of sales		**(432,685)**	(326,664)
Gross profit		**268,839**	223,982
Other operating income and expenses		**97,758**	76,566
Reversal of impairment loss recognised on trade and other receivables		**95**	70
Selling and distribution expenses		**(34,252)**	(29,918)
Administrative expenses		**(188,408)**	(169,819)
Finance costs	5	**(33,780)**	(24,083)
Change in fair value of investment properties		**1,223**	1,613
Net (loss)/gain on financial assets at fair value through profit or loss		**(40,733)**	22,304
Net (loss)/gain on disposal of available-for-sale investments		**(12,238)**	35,699
Impairment loss recognised on:			
– concession intangible assets		**(1,512)**	–
– goodwill		**(3,824)**	–
– available-for-sale investments		**(1,774)**	(9,704)
– trade and other receivables		**(2,334)**	(481)
Share loss of associates		**(3,955)**	(1,412)
Profit before taxation	7	**45,105**	124,817
Income tax	6	**(34,203)**	(39,915)
Profit for the year		**10,902**	84,902
Attributable to:			
Owners of the Company		**(49,111)**	31,263
Non-controlling interests		**60,013**	53,639
		10,902	84,902
(Loss)/earnings per share (HK cents):	9		
Basic		**(3.08)**	1.96
Diluted		**(3.08)**	1.96

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**10,902**	84,902
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchanges difference on translation of financial statements of foreign operations		
Exchange difference arising during the year	**138,587**	(86,865)
	138,587	(86,865)
Available-for-sale investments:		
Net loss arising on revaluation of available-for-sale investments during the year	**(1,368)**	(13,400)
Reclassification upon impairment	**1,774**	9,704
Reclassification adjustments relating to available-for-sale investments disposed of during the year	**(8,894)**	(10,455)
	(8,488)	(14,151)
Share of other comprehensive loss of associates	**(8,570)**	(1,714)
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of investment property upon transfer from property, plant and equipment	**1,754**	4,785
Deferred tax liability arising on gain on revaluation of properties	**(439)**	(1,196)
	1,315	3,589
Other comprehensive income/(loss) for the year, net of income tax	**122,844**	(99,141)
Total comprehensive income/(loss) for the year	**133,746**	(14,239)
Attributable to:		
Owners of the Company	**41,547**	(46,975)
Non-controlling interests	**92,199**	32,736
	133,746	(14,239)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**671,738**	454,530
Deposits paid for acquisition of property, plant and equipment		**17,021**	30,583
Deposits paid for acquisition of subsidiaries		**31,218**	29,769
Prepaid lease payments		**128,517**	104,030
Operating concessions		**578,286**	483,794
Receivables under service concession arrangements		**28,948**	31,493
Investment properties		**46,792**	32,510
Other non-current assets		**20,832**	19,369
Other intangible assets		**296,655**	189,821
Available-for-sale investments		**18,601**	90,437
Interests in associates		**59,009**	71,534
Deferred tax assets		**10,208**	9,342
		1,907,825	1,547,212
Current assets			
Inventories		**193,757**	184,589
Receivables under service concession arrangements		**4,923**	5,122
Financial assets at fair value through profit or loss		**40,576**	232,808
Trade and other receivables	*10*	**631,983**	286,237
Prepaid lease payments		**11,064**	1,645
Amounts due from customers for contract works		**19,276**	4,982
Cash held by financial institutions		**353**	341
Bank balances and cash		**317,796**	489,896
		1,219,728	1,205,620
Current liabilities			
Overdraft held at financial institutions		**20,266**	31,058
Trade and other payables	*11*	**219,804**	256,255
Amounts due to customers for contract works		**214,781**	155,781
Bank borrowings		**70,833**	48,729
Other loans		**253,586**	295,265
Obligations under finance leases		**45,667**	10,444
Amounts due to non-controlling shareholders of subsidiaries		**132**	32,808
Loans from associates		**3,148**	2,927
Tax payables		**23,269**	27,126
		851,486	860,393
Net current assets		**368,242**	345,227
Total assets less current liabilities		**2,276,067**	1,892,439

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AT 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**798,270**	798,270
Share premium and reserves	**507,129**	465,582
Equity attributable to owners of the Company	**1,305,399**	1,263,852
Non-controlling interests	**514,237**	374,355
TOTAL EQUITY	**1,819,636**	1,638,207
Non-current liabilities		
Bank borrowings	**96,267**	74,245
Other loans	**188,690**	64,947
Obligations under finance leases	**56,597**	20,320
Government grants	**34,803**	29,550
Deferred tax liabilities	**80,074**	65,170
	456,431	254,232
	2,276,067	1,892,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

China Water Industry Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its principal place of business is located at Room 1207, 12th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than those subsidiaries established in the People's Republic of China (the "**PRC**") whose functional currency is Renminbi ("**RMB**"), the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**") is HK$.

The Group is principally engaged in (i) provision of water supply, sewage treatment and construction services; and (ii) exploitation and sale of renewable energy in the PRC.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

None of these impact on the accounting policies of the Group. However, additional disclosure has satisfied the new disclosure requirements introduced by the amendments to HKAS 7, *Disclosure Initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Water supply services	**129,172**	112,043
Sewage treatment services	**44,331**	44,417
Water supply related installation and construction income	**241,561**	241,813
Water supply and sewage treatment infrastructure construction income	**48,483**	31,166
Sale of electricity	**194,605**	70,690
Sale of compressed natural gas	**29,827**	39,428
Service income from collection of landfill gas	**13,545**	11,089
	701,524	550,646

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the board of directors of the Company being the chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group has identified the following reportable segments:

(i) "Provision of water supply, sewage treatment and construction services" segment, which derives revenues primarily from the provision of water supply and sewage treatment operations and related construction services; and

(ii) "Exploitation and sale of renewable energy" segment, which derives revenues primarily from sale of electricity and compressed natural gas from biogas power plants.

Information regarding the Group's reportable segments as provided to the board of directors of the Company for the purposes of resource allocation and assessment of segment performance is set out below.

Segment revenue and results

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

4. **SEGMENT REPORTING** *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2017

	Provision of water supply, sewage treatment and construction services *HK$'000*	**Exploitation and sale of renewable energy** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue	**463,547**	**237,977**	**701,524**
Reportable segment profit	**132,495**	**40,197**	**172,692**
Unallocated corporate expenses			**(49,110)**
Interest income			**1,943**
Interest on overdraft held at financial institutions			**(2,591)**
Interest on fixed coupon bonds			**(23,084)**
Net loss on financial assets at fair value through profit or loss			**(40,733)**
Net loss on disposal of available-for-sale investments			**(12,238)**
Impairment loss recognised on available-for-sale investment			**(1,774)**
Profit before taxation			**45,105**

For the year ended 31 December 2016

	Provision of water supply, sewage treatment and construction services *HK$'000*	Exploitation and sale of renewable energy *HK$'000*	Total *HK$'000*
Reportable segment revenue	429,439	121,207	550,646
Reportable segment profit	126,705	16,777	143,482
Unallocated corporate expenses			(49,053)
Interest income			478
Interest on overdraft held at financial institutions			(1,139)
Interest on fixed coupon bonds			(17,250)
Net gain on financial assets at fair value through profit or loss			22,304
Net gain on disposal of available-for-sale investments			35,699
Impairment loss recognised on available-for-sale investment			(9,704)
Profit before taxation			124,817

4. **SEGMENT REPORTING** *(Continued)*

Other segment information

For the year ended 31 December 2017

	Provision of water supply, sewage treatment and construction services *HK$'000*	Exploitation and sale of renewable energy *HK$'000*	Corporate *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Interest income	19,678	533	1,943	–	22,154
Interest expenses	(1,487)	(6,610)	(25,683)	–	(33,780)
Share of losses of associates	(3,955)	–	–	–	(3,955)
Depreciation of property, plant and equipment	(5,366)	(49,374)	(2,086)	–	(56,826)
Amortisation of:					
– Prepaid lease payments	(1,104)	–	(616)	–	(1,720)
– Concession intangible assets	(24,639)	(4,670)	–	–	(29,309)
– Other intangible assets	–	(31,005)	–	–	(31,005)
Gain/(Loss) on disposal of property, plant and equipment and prepaid lease payments	15	(7)	58	–	66
Net loss on disposal of available-for-sale investments	–	–	(12,238)	–	(12,238)
Impairment loss recognised on:					
– Trade and other receivables	(1,951)	(383)	–	–	(2,334)
– Available-for-sale investments	–	–	(1,774)	–	(1,774)
– Goodwill	–	(3,824)	–	–	(3,824)
– Concession intangible assets	(1,512)	–	–	–	(1,512)
Reversal of impairment loss recognised on trade and other receivables	93	2	–	–	95
Reportable segment assets	1,240,104	1,254,241	514,172	119,036	3,127,553
Additions to non-current assets	72,121	183,557	25,349	–	281,027
Reportable segment liabilities	(346,231)	(395,445)	(478,126)	(88,115)	(1,307,917)

4. SEGMENT REPORTING *(Continued)*

Other segment information

For the year ended 31 December 2016

	Provision of water supply, sewage treatment and construction services *HK$'000*	Exploitation and sale of renewable energy *HK$'000*	Corporate *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Interest income	19,250	145	478	–	19,873
Interest expenses	(2,821)	(2,873)	(18,389)	–	(24,083)
Share of losses of associates	(1,412)	–	–	–	(1,412)
Depreciation of property, plant and equipment	(7,172)	(23,342)	(2,153)	–	(32,667)
Amortisation of:					
– Prepaid lease payments	(973)	–	–	–	(973)
– Concession intangible assets	(23,564)	–	–	–	(23,564)
– Other intangible assets	–	(17,874)	–	–	(17,874)
Loss on disposal of property, plant and equipment and prepaid lease payments	(152)	–	–	–	(152)
Net gain on disposal of available-for-sale investments	–	–	35,699	–	35,699
Impairment loss recognised on:					
– Trade and other receivables	(481)	–	–	–	(481)
– Available-for-sale investments	–	–	(9,704)	–	(9,704)
Reversal of impairment loss recognised on trade and other receivables	70	–	–	–	70
Reportable segment assets	1,038,229	889,804	653,486	171,313	2,752,832
Additions to non-current assets	36,003	210,818	80,475	–	327,296
Reportable segment liabilities	(344,860)	(305,124)	(336,511)	(128,130)	(1,114,625)

Segment assets include all tangible, intangible assets and current assets with the exception of available-for-sale investments, financial assets at fair value through profit or loss and other unallocated corporate assets. Segment liabilities include all current liabilities and non-current liabilities with the exception of overdraft held at financial institutions and other unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2016: nil).

The measure used for reporting segment profit is "adjusted profit before tax". To arrive at adjusted profit before tax the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as, interest on overdraft held at financial institutions, change in fair value of financial assets at fair value through profit or loss, net gain on disposal of investments, impairment loss recognised on available-for-sale investments, directors' and auditors' remuneration and other head office or corporate administration costs.

No geographical information is presented as the Group's business is principally carried out in the PRC (country of domicile) and the Group's revenue from external customers and non-current assets are in the PRC. No geographical information for other country is of a significant size to be reported separately.

For the years ended 31 December 2017 and 2016, the Group does not have any single significant customer with the transaction value of 10% or more of the revenue.

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings	**5,624**	5,354
– other loans	**41,403**	22,717
– overdraft held at financial institutions	**2,591**	1,139
Finance charges on obligations under finance leases	**3,610**	742
Total borrowing cost	**53,228**	29,952
Less: interest capitalised included in construction in progress	**(19,448)**	(5,869)
	33,780	24,083

Included in construction-in-progress under concession intangible assets, and property, plant and equipment is interest capitalised during the year of HK$19,448,000 (2016: HK$5,869,000) at the capitalisation rate of 8.21% (2016: 6.58%) per annum.

6. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– Provision for year	**–**	–
Current tax – PRC Enterprise Income Tax ("**EIT**")		
– Provision for the year	**40,317**	38,935
– Over provision in respect of prior years	**(1,227)**	(1,390)
Deferred tax	**(4,887)**	2,370
	34,203	39,915

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for 2017 (2016: 16.5%).

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Accordingly, provision for PRC EIT for the PRC subsidiaries is calculated at 25% on the estimated assessable profits for both years, except disclosed as follows.

Certain subsidiaries of the Group, being enterprises engaged in provision of electricity supply and sale of renewable energy projects, under the EIT Law and its relevant regulations, are entitled to tax concession of 3-year full exemption and subsequent 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived.

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Staff costs excluding directors' and chief executive's emoluments		
– Salaries, wages and other benefits	**139,619**	126,942
– Retirement benefits scheme contributions	**15,624**	14,880
Total staff costs	**155,243**	141,822
Amortisation of:		
– Prepaid lease payments	**1,720**	973
– Concession intangible assets (included in cost of sales)	**29,309**	23,564
– Other intangible assets	**31,005**	17,874
Depreciation of property, plant and equipment	**56,826**	32,667
(Gain)/Loss on disposal of property, plant and equipment and prepaid lease payment	**(66)**	152
Auditors' remuneration		
– audit services	**3,019**	2,081
– other services	**–**	260
Minimum lease payments under operating leases	**6,435**	6,221
Cost of inventories sold	**196,724**	128,826
Gross rental income from investment properties less direct outgoings of approximately HK$568,000 (2016: HK$117,000)	**1,548**	1,341
(Gain)/loss on sales of properties, net	**(867)**	244

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

9. (LOSS)/EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit attributable to the owners of the Company, used in the basic and diluted (loss)/earnings per share	**(49,111)**	31,263
	No. of shares	*No. of shares*
	'000	*'000*
Weighted average number of ordinary shares – basic and diluted	**1,596,540**	1,596,540
(Loss)/earnings per share (HK cents):		
Basic	**(3.08)**	1.96
Diluted	**(3.08)**	1.96

Diluted loss per share is same as the basic loss per share as there have been no dilutive potential ordinary shares in existence for the year ended 31 December 2017.

Diluted earnings per share is same as the basic earnings per share as there have been no dilutive potential ordinary shares in existence for the year ended 31 December 2016.

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**110,014**	63,856
Less: Allowance for doubtful debts	**(3,848)**	(2,347)
	106,166	61,509
Other receivables *(note a)*	**381,045**	100,183
Less: Allowance for doubtful debts	**(3,204)**	(4,858)
	377,841	95,325
Loan receivables *(note b)*	**139,327**	58,394
Less: Allowance for doubtful debts	**(54,844)**	(54,844)
	84,483	3,550
Deposits and prepayments *(note c)*	**63,493**	125,853
	631,983	286,237

(a) Other receivables mainly included the following items:

(i) A receivable of HK$139.95 million (2016: HK$40.9 million) from the disposal of investments in unlisted investment funds (classified as financial assets at fair value through profit or loss in 2017 and classified as available-for-sale investments in 2016).

(ii) Other receivable included a refund of the trade deposit for purchase of goods. A subsidiary of the Company entered into a sales contract with an independent third party to purchase the goods. However, the independent third party failed to provide the goods on delivery date. As according to the sales contract and agreed with the independent third party, they would refund the full amount of deposit paid with a compensation to the subsidiary. Total amount of HK$55.4 million (RMB46.1 million) was outstanding as at 31 December 2017. The subsidiary of the company received the refund subsequent to the reporting period.

(iii) During the year ended 31 December 2017, a subsidiary of the Company entered into a co-operation agreement with an independent third party to bid for an infrastructure construction. The deposit of HK$120.0 million (equivalent to RMB100.0 million) was paid. At the end of the reporting period, the subsidiary of the Company and the independent third party agreed to terminate the co-operation agreement, and the deposit was refunded in January 2018.

(b) Loan receivables

Apart from the loans to Top Vision of HK$43.6 million and other borrowers of HK$11.2 million which were fully impaired, included in loan receivables as at 31 December 2017 were loans to four (2016: one) unrelated parties of HK$84.5 million (2016: HK$3.6 million), which bear fixed interest rate ranging from 10% to 36% per annum. These parties have no recent history of default.

(c) Deposits and prepayments were mainly prepayments and tender deposits paid to independent third parties for construction projects during the year 2017.

10. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables

The Group allows an average credit period of 0 days to 180 days to its customers.

The ageing analysis of the trade receivables, net, as at the end of the reporting period, based on invoice date which approximates the respective revenue recognition date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**89,131**	56,926
91 to 180 days	**12,111**	2,530
181 to 365 days	**2,869**	121
Over 1 year	**2,055**	1,932
	106,166	61,509

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**101,242**	59,456
Past due but not impaired		
Within 90 days	**–**	–
91 to 180 days	**2,869**	121
181 to 365 days	**840**	717
Over 1 year	**1,215**	1,215
	106,166	61,509

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable. The Group does not hold any collateral over these balances.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

10. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables *(Continued)*

The movements in the allowance of doubtful debts on trade receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**2,347**	2,331
Impairment loss recognised	**1,473**	198
Reversal of impairment loss	**(95)**	(27)
Uncollectible amounts written off	**(107)**	–
Exchange realignment	**230**	(155)
At 31 December	**3,848**	2,347

Included in the impairment loss are individually impaired trade receivables with an aggregate balance of HK$3,848,000 (2016: HK$2,347,000) which are long outstanding.

Other receivables

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The movements in the allowance of doubtful debts on other receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**4,858**	10,466
Acquisition of subsidiaries	**–**	726
Impairment loss recognised	**861**	283
Uncollectible amounts written off	**(2,696)**	(6,450)
Reversal of impairment loss	**–**	(43)
Exchange realignment	**181**	(124)
At 31 December	**3,204**	4,858

Included in the impairment loss are individually impaired other receivables with an aggregate balance of HK$3,204,000 (2016: HK$4,858,000) which are long outstanding. The management considered the recovery of certain other receivables HK$2,696,000 (2016: HK$6,450,000) is remote, and the amount considered irrecoverable and written off against other receivables.

Loan receivables

Impairment losses in respect of loan receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan receivables directly.

The movements in the allowance of doubtful debts on loan receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 31 December	**54,844**	54,844

Included in the impairment loss are individually impaired loan receivables with an aggregate balance of HK$54,844,000 (2016: HK$54,844,000) which are long outstanding. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**85,704**	30,979
Receipt in advance	**43,242**	30,099
Construction payables	**23,756**	71,163
Interest payables	**13,104**	11,139
Consideration payable	**2,855**	25,106
Forward sales deposits received	**4,091**	13,708
Other tax payables	**9,459**	7,508
Accrued expenses	**20,040**	16,099
Guarantee deposits from a subcontractor	**–**	11,164
Sewage treatment fees received on behalf of certain government authorities	**6,793**	12,373
Other payables	**10,760**	26,917
	219,804	256,255

The ageing analysis of the trade payables as at the end of the reporting period based on invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**24,510**	10,248
31 to 90 days	**22,736**	2,581
91 to 180 days	**6,187**	9,383
181 to 365 days	**24,415**	1,350
Over 1 year	**7,856**	7,417
	85,704	30,979

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the time frame agreed with the respective suppliers.

12. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of concession intangible assets and plant and equipment *(note)*	**155,711**	29,683

Note: At 31 December 2017, the amount represented capital commitment contracted but not provided for acquisition of plant and equipment and concession intangible assets of HK$150,796,000 (2016: HK$21,775,000) and HK$4,915,000 (2016: HK$7,908,000), respectively.

13. LITIGATIONS AND ARBITRATION

(a) Guangzhou Hyde Environmental Protection Technology Co., Ltd., an indirect wholly owned subsidiary of the Company

Guangzhou Hyde Environmental Protection Technology Co., Ltd.* (廣州市海德環保科技有限公司) ("**Guangzhou Hyde**") (an indirect wholly-owned subsidiary of the Company) and Yunnan Chaoyue Gas Company Limited* (雲南超越燃氣有限公司) ("**Yunnan Chaoyue Gas**") entered into the cooperation contract dated 13 October 2010, pursuant to which Guangzhou Hyde shall paid a refundable deposit of HK$10 million ("**Deposit**") to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake project ("**Project**").

Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Deposit to Guangzhou Hyde within nine months once it was unsuccessfully to obtain the Project. Yunnan Chaoyue Gas has failed to repay the aforesaid Deposit to Guangzhou Hyde when it fell due despite Guangzhou Hyde's repeated requests and demands.

The Deposit was classified as loan receivable and fully impaired in 2011.

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission ("**Commission**") for arbitration on 24 February 2012. The Commission accepted the case and started a trail on 5 June 2012. After the trail, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests thereon; and the relevant arbitration fees.

The above award confirmed the amount to be paid by Yunnan Chaoyue Gas to Guangzhou Hyde should be settled in one-off manner within 10 days from the date on which this award is served. Late payment will result in proceedings set out in article 229 of Civil Procedure Laws of the People's Republic of China. As Yunnan Chaoyue Gas has not performed repayment obligation under the award on time, Guangzhou Hyde applied to Kunming Intermediate People's Court (the "**Kunming Court**") for civil enforcement on 21 July 2012, and Kunming Court has accepted such application.

On 13 May 2013, Yunnan Chaoyue Gas provided loan repayment plan (the "**Repayment Plan**") to Guangzhou Hyde. On 1 September 2014, Kunming Court has approved the civil enforcement against Yunnan Chaoyue Gas. Up to the date of approval of these financial statements, Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan.

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the "**Guarantors**") entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the "**Settlement Agreement**"). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

* The English names are for identification purpose only.

13. LITIGATIONS AND ARBITRATION *(Continued)*

(b) Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("**Swift Surplus**") (collectively as the "**Lenders**") entered into repayment agreements (the "**Repayment Agreements**") with the Sihui Sewage Treatment Co., Ltd.* (四會市城市污水處理有限公司) and Top Vision Management Limited ("**Top Vision**") (collectively as the "**Borrowers**") together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK$58.43 million together with interest accrued thereon (the "**Loan Receivables**"). HK$5 million of the Loan Receivables will be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK$5 million of the Loan Receivables. However, the remaining Loan Receivables of HK$53.43 million (the "**Remaining Loan Receivables**") plus underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately HK$18.03 million of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the "**Partial Payment of the Remaining Loan Receivables**"). Nevertheless, Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK$35.40 million of the Remaining Loan Receivables and underlying interests (the "**Outstanding Balance**"). Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the "**Writ**") to the High Court of Hong Kong Special Administrative Region (the "**High Court**") to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the "**Final Judgement**"). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

* The English names are for identification purpose only.

13. **LITIGATIONS AND ARBITRATION** *(Continued)*

(b) **Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company** *(Continued)*

On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited ("**Galaxaco**") to wind up Top Vision, one of the creditors of Top Vision. Top Vision has now been wound up by the High Court by a Winding-up Order under Companies Winding-up Proceedings No.157/2014 and the first meeting of creditors of Top Vision was held on 30 October 2014 for the appointment of provisional of liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the "**Appointment**") pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco. On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators ("**Liquidators**"). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision. On 16 July 2015, the Zhaoqing Intermediate People's Court adjudged that the Final Judgement recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision ("**PRC Judgement**"). On 27 January 2016, the PRC Judgement was announced on the website of The People's Court Announcement for 60 days ("**Announcement Period**"). If Top Vision has not appealed for the PRC Judgement within 30 days after the Announcement Period, the PRC Judgement will be automatically effective thereafter, the Company can enforce the PRC Judgement. On 10 August 2016, Sihui City People's Court* (四會市人民法院) accepted to execute the PRC Judgement in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People's Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2019. In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowings and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings. On 6 March 2018, Liquidators informed Creditors that Top Vision sold its entire shareholding in Top Vision Huizhou to Tai Heng Construction Holding Ltd. ("**Tai Heng**") without payment of purchase consideration of RMB1 million. In light of this, Liquidators have through their solicitors issued a protected writ in the High Count against Tai Heng for recovery of a debt in the sum around HK$3.80 million plus interest and costs. Up to the date of this announcement, no substantial assets have yet been preserved or recovered. As at 31 December 2017 and 31 December 2016, the loan receivables from Top Vision of HK$43.60 million were fully impaired. As at 31 December 2017 and 2016, the loan receivables from Top Vision of HK$43.60 million were fully impaired.

At 31 December 2017 and 2016, the long outstanding receivables from three other borrowers totalled HK$11,246,000, were fully impaired.

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the Loan Receivables has been provided. It is unlikely that there will be a material adverse financial impact to the Group.

Save as disclosed above, the Group is not aware of any other significant proceedings instituted against the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue generated from operations increased by 27.40% from HK$550.65 million for the year ended 31 December 2016 (the "**FY2016**") to HK$701.52 million for the year ended 31 December 2017 (the "**FY2017**"). The increase was mainly due to more renewable energy projects commenced operation during the year. Loss attributable to owners of the Company for FY2017 amounted to HK$49.11 million which represented a year-on-year decrease of 257.09% when compared with profit attributable to owners of the Company of HK$31.26 million for FY2016. Basic loss per share from operations for the FY2017 was at HK3.08 cents when compared with basic earnings per share of HK1.96 cents recorded for the FY2016.

Net profit for the year

Net profit from operations for the FY2017 amounted to HK$10.90 million (FY2016: HK$84.90 million), representing a decrease of 87.16% as compared to that of FY2016. Despite the Group recorded a gross profit growth and an increase in other operating income, the Group still recorded the decrease in net profit in FY2017 which was principally attributable to: (i) a realized loss on disposal of investment fund and listed equity securities; (ii) fair value loss on Group's financial assets; and (iii) an increase in administrative expense and finance costs due to the acquisition and establishment new renewable energy companies in PRC.

Revenue and gross profit

For the FY2017, total revenue was HK$701.52 million, an increase of HK$150.87 million, or 27.40% from HK$550.65 million for the FY2016. The increase was primarily attributable to the continued expansion of the renewable generation business in 2017.

For the FY2017, total gross profit was HK$268.84 million, an increase of HK$44.86 million or 20.03% from HK$223.98 million for the FY2016 but the gross profit margin for the FY2017 was a slightly drop of 2.36% in gross profit ratio to 38.32% from 40.68% for the FY2016. The decrease in the gross profit margin was a result of lower profit margin project awarded in construction services which offset the benefit arising from the expanding renewable energy business operation.

During the year under review, the main revenue and gross profit contributors were Yichun Water Industry Co., Ltd ("**Yichun Water**") and its subsidiaries ("**Yichun Water Group**") and Yingtan Water Supply Group Co., Ltd ("**Yingtan Water**") and its subsidiaries ("**Yingtan Water Group**"), which collectively accounted for 50.53% of the total revenue and 56.26% of the total gross profit.

The summary of total revenue and total gross profit is as follows:

	Revenue				**Gross Profit (G.P)**			
	2017	**%**	2016	%	**2017**	**G.P.**	2016	G.P.
	HK$'M	**to total**	*HK$'M*	to total	***HK$'M***	**%**	*HK$'M*	%
Water supply business	**129.17**	**18.41**	112.04	20.35	**49.14**	**38.04**	37.60	33.56
Sewage treatment business	**44.33**	**6.32**	44.42	8.07	**13.64**	**30.77**	16.83	37.89
Construction services business	**290.04**	**41.34**	272.98	49.57	**113.30**	**39.06**	135.21	49.53
Renewable energy business	**237.98**	**33.93**	121.21	22.01	**92.76**	**38.98**	34.34	28.33
Total	**701.52**	**100**	550.65	100	**268.84**	**38.32**	223.98	40.68

Other operating income and expenses

For the FY2017, other operating income and expenses amounted to HK$97.76 million, (FY2016: HK$76.57 million) rose by HK$21.19 million. The increase was primarily derived from loan interest income, project income of updating landfill gas collection facilities, government subsidy to certain biogas power generation projects, VAT refund and profit from acquisition of 49% equity interest of Yingtan Xiang Rui Property Limited* (鷹潭祥瑞置業有限公司) ("**Xiang Rui Property**") at Yingtan City, Jiangxi Province, the PRC.

Net loss on financial assets at fair value through profit or loss

Included in net loss on financial assets at fair value through profit or loss ("**FA**") comprised (i) HK$30.22 million for the redemption loss on investment fund ("**Fund A**"); (ii) HK$6.31 million for the fair value loss on listed equity securities; and (iii) HK$4.20 million for the loss on disposal of listed equity securities. For the FY2017, net loss on FA recorded HK$40.73 million, a decrease of HK$63.03 million from the gain of HK$ 22.30 million for the FY2016. The substantial increase in net loss on FA was mostly due to the redemption loss on of the Fund A. During the year, the Company served a redemption notice to the fund manager to redeem the Fund A in whole (the "**Redemption**"). On 11 October 2017, the Company received the confirmation relating to the Redemption for an aggregate redemption value of HK$139.95 million in cash and realized an aggregate loss of HK$30.22 million in relation to the Redemption as compared to the fair value of the Fund A as at 31 December 2016. The change in fair value on securities trading is determined based on the quoted market bid prices available on the Stock Exchange.

Net loss on disposal of available-for-sale investments

For the FY2017, included in loss on disposal of available-for-sale investments ("**AFS**") of HK$12.24 million (FY2016: gain of AFS HK$35.70 million) was the realized loss on disposal of listed equity securities, representing a significant decrease of 134.29% as compared to that of last year.

Selling and distribution expenses and administrative expenses

For the FY2017, selling and distribution expenses together with administrative expenses ("**Total Expenses**") collectively increased by HK$22.92 million to HK$222.66 million (FY2016: HK$199.74 million). The rise was primarily attributable to the acquisition and establishment of new companies in the PRC which caused the increment of staff costs and associated operating expenses. These expenses mainly consisted of staff costs, insurance, rent and rates, legal and professional fee and depreciation. The ratio of Total Expenses for the FY2017 represented 31.74% of revenue, a drop of 4.53% from 36.27% for the FY2016.

Finance costs

Finance costs are mainly interests on fixed coupon bonds. For the FY2017, the finance costs were HK$33.78 million (FY2016: HK$24.08 million), an increase of HK$9.70 million as compared to that of last year. The increase was due to the issue of new fixed coupon bonds in 2017.

Impairment loss recognized on goodwill

For the FY2017, the impairment loss on goodwill recorded HK$3.82 million (FY2016: Nil) which was provided for Chenzhou Environment Project. The reason of impairment loss incurred because the commencement date of the planned biomass pyrolysis and gasification for power generation was postponed which caused the recoverable amounts less than the carrying amount of this project.

Impairment loss recognized on Concession Intangible Assets

For the FY2017, the impairment loss on concession intangible asset recorded HK$1.51 million (FY2016: Nil) which was provided for Jining City Haiyuan Water Treatment Company Limited* 濟寧市海源水務有限公司 ("**Jining Haiyuan**"). The reason of impairment loss incurred because the local government of Jining City has increased the standard of quality of sewage treatment. To meet the requirement, Jining Haiyuan consumed additional medicine used in the process of sewage treatment resulting in increasing of operation costs which led the recoverable amounts less than the carrying amount.

Share of results from associates

The Group had three associated companies, including 35% equity interests in Jinan Hongquan Water Production Co., Ltd ("**Jinan Hongquan**"), 30% equity interests in Super Sino Investment Limited ("**Super Sino**") together with its various wholly-owned subsidiaries ("**Super Sino Group**") and 10% equity interests in Yu Jiang Hui Min Small-Sum Loan Company Limited ("**Yu Jiang Hui Min**"). For the FY2017, the Group shared the loss of HK$3.96 million (FY2016: loss of HK$1.41 million) which was from the loss of HK$6.67 million from Jinan Hongquan, the gain of HK$3.01 million from Super Sino Group and the loss of HK$0.3 million from Yu Jiang Hui Min.

Income tax

For the FY2017, the income tax dropped by HK$5.72 million to HK$34.20 million (FY2016: HK$39.92 million). The decrease was because (i) certain renewable energy projects are entitled to have tax concessions benefit for the exemption to pay PRC income tax for 3-year full exemption and subsequent 3-year 50% exemption commencing from these respective years in which their first operating incomes were derived; and (ii) reversal of deferred tax. Income tax represents income tax payable by the Group under relevant income tax rules and regulations where the Group operates. Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Income tax consisted mainly of PRC income tax and deferred income tax. Enterprises incorporated in Hong Kong and PRC are subject to income tax rates of 16.5% and 25% respectively for FY2017.

Loss attributable to Owners of the Company

For the FY2017, loss attributable to owners of the Company was HK$49.11 million (FY2016: profit of HK$31.26 million), an decrease of HK$80.37 million primarily due to a net fair value loss on FA and a realized loss on disposal of Fund A and equity securities.

Exposure to Fluctuations in Exchange Rates

Almost all of the Group's operating activities are carried out in the PRC with the most of transactions and assets denominated in RMB but the books are recorded in HK$. For the FY2017, RMB recorded an appreciation against HK$ resulted in a net exchange gain of HK$3.48 million (FY2016: exchange loss of HK$3.60 million). The Group has not adopted any hedging policies. Due to recent fluctuation of RMB exchange rate against HK$, the Group had been monitoring the foreign exchange exposures closely and hedging any significant foreign currency exposure in order to minimise the exchange risk, if necessary.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For the FY2017, the Group financed its operations with internally generated cash flows, banking facilities and other borrowings. The Group recorded cash and cash equivalents of HK$297.88 million (FY2016: HK$459.18 million) including cash held at financial institutions of HK$0.35 million (FY2016: HK$0.34 million) and an overdraft held at financial institutions of HK$20.27 million (FY2016: HK$31.06 million). The decrease in cash and bank balance of the Group was mainly due to the payments for the acquisition of subsidiaries and development of properties. With the steady operating cash flows, the Group should have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future. The cash and bank balance were denominated in HKD and RMB.

The net current assets for the Group in 2017 were HK$368.24 million (FY2016: HK$345.23 million). The current ratio (current assets over current liabilities) is 1.43 times as at FY2017 (FY2016: 1.40 times).

Net asset value was HK$1,819.64 million (FY2016: HK$1,638.21 million). Net asset value per share was HK$1.14 (FY2016: HK$1.03).

As at FY2017, the Group's consolidated non-current assets increased by HK$360.62 million to HK$1,907.83 million (FY2016: HK$1,547.21 million) mainly attributable to further expansion of renewable energy business in 2017 by acquiring more related projects which made property, plant and equipment, operating concession and other intangible assets to increase.

INVESTMENT PROPERTIES

For the FY2017, the Group held the following investment properties for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	The Group's interest (%)
Xiabu Water Plant Control Centre					
No. 1 Qilin East Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC ("**Xiabu Centre**")	Commercial	16,781	Long	76.18%	51%
Room C-103, Yihai International Street, 200 meters south of Phoenix Street and Lanting Road, Hedong District, Linyi City, Shandong Province, the PRC ("**Yihai International Building**")	Commercial	151.96	Long	100%	60%
("**Yichun Properties**")					
i No. 1-13, 1/F, 14 Building, No. 150-156, Gulou Road, Yichun City, Jiangxi Province, the PRC	Commercial	175.28	Long	100%	51%
ii No. 542, Mingyue North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	Commercial	556.15	Long	100%	51%

For the FY2017, the carrying value of investment properties recorded HK$46.79 million (FY2016: HK$32.51 million) including HK$42.04 million of the Xiabu Centre, HK$1.50 million of Yihai International Building and HK$3.25 million of Yichun Properties. For the FY2017, the gross rental income from investment properties less direct outgoing recorded HK$1.55 million (FY2016: HK$1.34 million) and recognised fair value gain on investment properties of HK$1.22 million (FY2016: HK$1.61 million).

OTHER NON-CURRENT ASSETS

During 2015, Yingtan Water entered into agreements with a local government office to transfer all units of the investment property (the "**Resumption Properties**") to the local government for the development of a composite project (the "**New Premises**"), which Yingtan Water received compensation including transfer of certain construction floor areas of the New Premises (the "**Yingtan New Premises**"). For the FY2017, the construction of New Premises are still under construction and is expected to be completed in September 2018. The carrying value of the Yingtan New Premises was HK$20.83 million (FY2016: HK$19.37 million).

INVENTORIES

As at 31 December 2017, inventories of HK$193.76 million (FY2016: HK$184.59 million) comprised of properties held for sale of HK$156.99 million (FY2016: HK$151.64 million) and raw material of HK$36.77 million (FY2016: HK$32.95 million). Properties held for sale represented the construction of new commercial and residential buildings by Xiang Rui Property at Yingtan City, Jiangxi Province, the PRC which is entirely owned by Yingtan Water. The properties namely Yu Jing No.1* (御景壹號) located at No. 8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC has been completed in July 2017 with a total saleable area of 35,370 sq.m., which comprised of 372 residential apartments and 105 retail shops. The pre-sales of the project had commenced since October 2014. For the FY2017, approximately 63% of the residential apartments and retail shops are available for sales. For the FY2017, the income and net gain recognised from the sale of properties were HK$19.67 million and HK$0.87 million respectively (FY2016: income of HK$25.22 million and net loss of HK$0.24 million).

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENT

As at 31 December 2017, the fair value of FA and AFS recorded HK$40.58 million (FY2016: HK$232.81 million) and HK$18.60 million (FY2016: HK$90.44 million) respectively. All securities investments of the Group were listed in Hong Kong.

The total market value of the portfolio investments was HK$59.18 million, representing 1.89% of the total assets value of the Group as at FY2017 (FY2016: HK$323.25 million). The following analysis was the Group's investments at the end of reporting period:

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 December 2017	Effective interest held as at 31 December 2017	Initial investment cost *HK$'000*	Market value as at 31 December 2017 *HK$'000*	Realised gain/(loss) for the year ended 31 December 2017 *HK$'000*	Accumulated unrealised holding gain/(loss) on revaluation *HK$'000*	Percentage to total assets value of the Group as at 31 December 2017	Classification	Dividend received/ receivable during the year
Leyou Technologies Holdings Limited	1089	Development of video game	22,795,000	0.74%	46,881	40,575	264	(6,306)	1.30%	FA	–
China Creative Global Holdings Limited	1678	principally engaged in the design, development, manufacture and sales of home decor products	54,000,000	2.60%	10,178	10,584	(757)	406	0.34%	AFS	–
China Regenerative Medicine International Limited	8158	Research and development of bio-medical and healthcare products, medical techniques; provision of the production and sales of tissue engineering products and its related by-products; sales and distribution of medical products and equipment.	39,000,000	0.22%	7,609	6,435	(4,090)	(1,174)	0.21%	AFS	–
HK Life Sciences and Technologies Group Limited	8085	Anti-aging and stem cell technology businesses; trading business; money lending business; and securities investment.	8,820,000	0.16%	1,402	882	(3,271)	(520)	0.03%	AFS	–
China Best Group Holding Limited	370	Manufacture and sales of coal, international air and sea freight forwarding and the provision of logistics services as well as trading of securities	7,000,000	0.10%	956	700	(6,698)	(256)	0.02%	AFS	–

The above securities investments in aggregate of HK$59.18 million represented 100% of the total market value of the portfolio investments.

For the policy in investment of securities, the management will closely monitor the investment portfolio and capture opportunities arising from securities trading and investments in a prudent manner and balance investment risks. Notwithstanding the overall result of investment in securities for the FY2017 was in a loss position after taken up the impairment loss and/or fair value loss on financial assets investment, the Group believes that following the implementation of the favorable financial policies in Hong Kong, such as the Shanghai-Hong Kong Stock Connect, mutual recognition of funds and the Shenzhen-Hong Kong Stock Connect, the Group is optimistic about the future equity securities markets in Hong Kong.

TRADE AND OTHER RECEIVABLES

As at FY2017, the Group's trade and other receivables were approximately HK$631.98 million (FY2016: HK$286.24 million). These comprised of: (i) trade receivables of HK$106.17 million, (ii) other receivables of HK$377.84 million, (iii) loan receivables of HK$84.48 million and (iv) deposits and prepayments of HK$63.49 million.

For FY2017, trade receivables increased by HK$44.66 million to HK$106.17 million which was in line with the increase of revenue (FY2016: HK$61.51 million). The average turnover period of the trade receivables as at FY2017 were 44 days (FY2016: 34 days). The Group allows a credit period of 0 day to 180 days to its customers. The average turnover period of the trade receivables fell within stipulated credit period.

For FY2017, other receivables increased by HK$282.51 million to HK$377.84 million (FY2016: HK$95.33 million) which mainly included (i) HK$139.95 million for the redemption of Fund A (the "**Redemption**"), (ii) tender deposit of HK$120.00 million for bidding of land and a deposit of HK$55.40 million paid for goods procurement. After several round negotiations with fund manager of Fund A, fund manager had provided the repayment plan to settle the Redemption by four instalments in 2018, HK$68.30 million in March, HK$10 million in April, HK$10 million in May and the remaining balancing in June. Subsequent to the year-end, amounting of HK$68.30 million representing 48.80% of the Redemption received pursuant to the repayment plan. During the year, Yingtan Water Group entered into a co-operation agreement with an independent third party to bid a land in Yingtan City, PRC. Owing to unsuccessful tender bid on land, the co-operation agreement was terminated and the deposit was fully refunded in January 2018. As the ordered goods failed to deliver on time, the supplier refunded all deposit in March 2018.

For FY2017, loans receivables increased by HK$80.93 million to HK$84.48 million (FY2016: HK$3.55 million) represented loans to four unrelated parties which bear fixed interest rate ranging from 10% to 36% annually. Subsequent to the year-end, HK$59.55 million received for the settlement of loans.

For FY2017, deposits and prepayments decreased by HK$62.36 million to HK$63.49 million (FY2016: HK$125.85 million) which mainly represented the prepayment and tender deposits for construction projects.

LIABILITIES AND GEARING

Total liabilities of the Group as at FY2017 were HK$1,307.92 million, an increase of HK$193.29 million from HK$1,114.63 million for FY2016. The increase was mainly attributable to the issue of bonds and, addition loans borrowing to finance the expansion of renewable energy generation business. Total liabilities mainly comprised of the bank and other borrowings of HK$609.38 million (FY2016: HK$483.19 million), trade and other payables of HK$219.80 million (FY2016: HK$256.26 million) and deferred tax liabilities of HK$80.07 million (FY 2016: HK$65.17 million). Except for the following issuance of bonds denominated in HK$, borrowings were mainly denominated in RMB.

Bonds and non-equity financing

1. ***The issuance of 2016 bonds***

   On 14 June 2016, the Company, Guarantor and Prosper Talent Limited ("**Bondholder**") entered into a Subscription Agreement and Bond Instrument in respect of the issuance of bonds with an aggregate principal amount of not more than HK$300 million at a fixed coupon interest of 10% per annum, comprising of the Series A Bond and Series B Bond (the "**2016 Bonds**"). Series A Bond of HK$200 million and Series B Bond of HK$100 million was issued on 14 June 2016 and on 7 December 2016 respectively. This 2016 Bonds will mature in one year from the date of issuance. The repayment of the 2016 Bonds is guaranteed by a substantial shareholder of the Company. As at FY2017, the outstanding 2016 Series B Bonds amounted to HK$47.21 million and were classified as an other loans (FY2016: HK$285.27 million). Pursuant to the Bond Instrument, the Company has an option to extend 2016 Bonds for another one year from the maturity date (the "Extended Term"), subject to the Bondholder's approval. With the approval of Bondholder, Series A Bond of HK$200 million and Series B Bond of HK$100 million was extended for another one year following its original maturity date. Pursuant to the Bond Instrument, during the Extended Term, the interest rate of the Series A Bond and Series B Bond will be charged at 18% per annum. In order to reduce the finance cost, the Company has been actively negotiating with the Bondholder to refinance the 2016 Bonds, including the possibility of the Bondholders to subscribe for any new bonds issued by the Company. Subsequent to the year end, the Company had fully settled the principal amount of 2016 Series B Bonds and the underlying interest.

2. ***The issuance of 2017 bonds***

   On 5 September 2017, the Company, Guarantor and Bondholder entered into a Subscription Agreement and Bond Instrument in respect of the issuance of bonds with an aggregate principal amount of not more than HK$300 million at a fixed coupon interest of 10% per annum, comprising of the Series A Bond, Series B Bond and Series C Bond (the "**2017 Bonds**"). Series A Bond of HK$100 million and Series B Bond of HK$100 million was issued on 5 September 2017 and on 19 September 2017 respectively (the "**2017 Bonds A and B**"). This 2017 Bonds A and B will mature in one year from the date of issuance. As at FY2017, the outstanding 2017 Bonds A and B amounted to HK$193.71 million and were classified as an other loans (FY2016: Nil). The repayment of the 2017 Bonds is guaranteed by Mr. Deng Jun Jie, an executive Director of the Company ("**Guarantee**"). The Guarantee is conducted on a better commercial terms without secured by any assets of the Group. Series C Bond will automatically expire if the Company not subscribe it on or before 31 March 2018.

3. Placing of Bond I

On 25 October 2017, the Company entered into the Placing Agreement (the "**Placing Agreement I**") with Well Link Securities Limited (the "**Placing Agent I**"), pursuant to which the Placing Agent I on a best effort basis arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK$100,000,000 ("**Bond I**"), within 70 days from the date of the Placing Agreement I. On 12 December 2017, the Company has completed the issuance of the Bond I to the placee(s) in an aggregate principal amount of HK$100,000,000. As at FY2017, the outstanding Bond I amounted HK$96.90 million and was classified as an other loans (2016: Nil).

4. Placing of Bond II

On 4 December 2017, the Company entered into the Placing Agreement (the "**Placing Agreement II**") with the Ayers Alliance Securities (HK) Limited, Mayfair Pacific Financial Group Limited and Sincere Securities Limited (the "**Placing Agents II**"), to use its reasonable endeavors to procure independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK$100,000,000 (the "**Bond II**"), from the date of the Placing Agreement II and ending on 31 May 2018. As at FY2017, the outstanding Bond II amounted HK$17.95 million and was classified as an other loans (2016: Nil). As at date of this announcement, the placing of Bond II has not been completed.

As at FY2017, the aggregate bonds payable including 2016 Series B Bonds, 2017 Bonds A and B, Bond I and Bond II recorded HK$355.77 million which were utilized as general working capital and/or acquisition activities (FY2016: HK$285.27 million).

As at FY2017, the Group's total bank and other borrowings were HK$609.38 million (FY2016: HK$483.19 million). For the maturity profile, refer to the table below:

Debt Analysis

	31 December 2017		31 December 2016	
	HK$'000	***%***	*HK$'000*	*%*
Classified by maturity				
– repayable within one year				
Bank borrowings	**70,833**	**11.62**	48,729	10.08
Other loans	**253,586**	**41.62**	295,265	61.11
	324,419	**53.24**	343,994	71.19
Classified by maturity				
– repayable more than one year				
Bank borrowings	**96,267**	**15.80**	74,245	15.37
Other loans	**188,690**	**30.96**	64,947	13.44
	284,957	**46.76**	139,192	28.81
Total bank and other borrowings	**609,376**	**100**	483,186	100
Classified by type of loans				
Secured	**131,079**	**21.51**	118,509	24.53
Unsecured	**478,297**	**78.49**	364,677	75.47
	609,376	**100**	483,186	100
Classified by type of interest				
Fixed rate	**533,081**	**87.48**	408,141	84.47
Variable-rate	**10,806**	**1.77**	17,863	3.70
Interest free rate	**65,489**	**10.75**	57,182	11.83
	609,376	**100**	483,186	100

The Group's gearing ratio as at FY2017 was 41.82% (FY2016: 40.49%). The ratio was calculated by dividing total liabilities of HK$1,307.92 million over total assets of the Group of HK$3,127.55 million.

TRADE AND OTHER PAYABLES

As at FY2017, the Group's trade and other payables were approximately HK$219.80 million (FY2016: HK$256.26 million). The credit terms of trade payables vary according to the terms agreed with different suppliers.

CAPITAL RAISING AND USE OF PROCEEDS

The Company has not conducted any equity fund raising activities during the year.

During the FY2017, the Group incurred capital expenditures amounting to HK$48 million (FY2016: HK$26 million) for acquisition of concession intangible assets.

BUSINESS REVIEW

The year 2017 is a significant year for China's green development in light of new market conditions, challenges and targets for the environmental protection industry during the 13th Five-Year Plan period. During the year under review, China implemented a number of important plans and policies related to ecological protection, including the 13th Five-Year Plan for Renewable Energy Development, the 13th Five-Year Plan for National Strategic Emerging Industries Development, and the "Belt and Road" Ecological Environment Protection Cooperation Plan, with an objective of accelerating green development and tackling serious environmental problems. Obviously, China has accorded an unprecedented priority to the restoration of the ecological environment. These developments have motivated the domestic environmental protection industry to advance further. Benefited from the support of environmental protection policies from the government and riding on the rapid development of environmental protection industry, the Group has actively been exploring in the areas of environmental friendly renewable energy business through acquisition and continue to invest more funds in water supply and sewage treatment businesses.

Water supply business

There are 5 city water supply projects of the Group (including 2 water supply projects of associated companies) well spread in various provincial cities and regions across China, including Jiangxi, Shandong and Hainan (FY2016: 5 water supply projects). The daily aggregate water supply capacity was approximately 1.99 million tonne (including the capacity of 1.60 million tonne of two associated companies) (FY2016: 1.94 million tonne). The increase in water supply capacity of 50,000 tonne was due to the construction of second phase of water supply plant in Yichun City completed in July 2017. The revenue and gross profit from water supply business amounted to HK$129.17 million and HK$49.14 million respectively, representing 18.41% and 18.28% of the Group's total revenue and total gross profit respectively. The overall gross profit ratio was 38.04% (FY2016: 33.56%). The increase of 4.48% in gross profit ratio was due to the increase of water supply sale volume and the increase in water tariff. The rates for the water supply ranged from HK$1.43 to HK$3.10 per tonne (2016: from HK$1.34 to HK$2.57 per tonne).

Analysis of water supply projects on hand is as follows:

	Project name	Equity interest held by the Company (%)	Designed daily capacity of water supply (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1	Yichun Water	51	240,000	Jiangxi	2034
2	Yingtan Water	51	100,000	Jiangxi	2038
3	Linyi Fenghuang	60	50,000	Shandong	2037
4	Jinan Hongquan	35	1,500,000	Shandong	2036
5	Super Sino Group	30	100,000	Hainan	2037
	Total		1,990,000		

Sewage treatment business

There are 3 sewage treatment projects of the Group located in Jiangxi, Guangdong and Shandong provinces (FY2016: 3 sewage treatment projects). The daily aggregate sewage disposal capacity was approximately 170,000 tonne (FY2016: 170,000 tonne) generating a revenue of HK$44.33 million and gross profit of HK$13.64 million, representing 6.32% and 5.07% of the Group's total revenue and total gross profit respectively. The gross profit ratio was 30.77% (FY2016: 37.89%). The decrease in gross profit ratio by 7.12% was due to the operating cost increased for upgrading water quality standard in Jining Haiyuan. Upon completion of Mingyue Mountain Project and Jinxiang Project, the number of sewage treatment plants will increase to 5 projects and the daily aggregate sewage disposal capacity will increase by 50,000 tonnes to 220,000 tonne. The construction of Mingyue Mountain Project and Jinxiang Project are expected to be completed in December of 2018 and in March of 2019 respectively. The rates for sewage treatment ranged from HK$0.67 to HK$1.33 per tonne (2016: from HK$0.63 to HK$1.24 per tonne).

Analysis of sewage treatment projects on hand is as follows:

	Project name	Equity interest held by the Company %	Designed daily sewage disposal capacity (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1	Jining Haiyuan	70	30,000	Shandong	2036
2	Gaoming Huaxin	70	20,000	Guangdong	2033
3	Yichun Fangke	54.33	120,000	Jiangxi	2035
	Total		170,000		

Construction services for water supply and sewage treatment infrastructure

Construction services included water meter installation, infrastructure construction and pipeline construction and repair. These were the Group's major sources of revenue and gross profit contributing HK$290.04 million and HK$113.30 million respectively, representing 41.34% and 42.14% of the Group's total revenue and total gross profit respectively. The overall gross profit ratio was 39.06% (FY2016: 49.53%). The decrease in gross profit ratio was due to more contract works awarded at lower profit margin in 2017.

Exploitation and sale of renewable energy business

Up to the date of this announcement, the Group has secured a total of 30 biogas power generation projects (FY2016: 20 projects) and signed 4 agreements for acquisition and operation which are located in various provincial cities across China including Jiangsu, Hunan, Shaanxi, Anhui, Hainan, Jiangxi, Sichun, Zhejiang, Chongqing, Shandong, Hebei, Guangxi and Guangdong. In addition, the Group successfully tapped into a new market, namely Jakarta, Indonesia during the year. For the FY2017, the revenue and gross profit recorded HK$237.98 million and HK$92.76 million respectively. Compared with the FY2016, the revenue and gross profit increased by HK$116.77 million and HK$58.42 million respectively. Such increase was because 20 projects have operation in 2017 (FY2016: 15 projects). The overall gross profit ratio rose by 10.65% to 38.98% (FY2016: 28.33%) due to newly acquired projects have started to generate positive contribution to the Group. The average electricity rate was HK$0.63 per kilowatt-hour and the average CNG rate was HK$2.06 per m^3 (2016: average electricity rate HK$0.67 per kilowatt-hour and average CNG rate HK$1.84 per m^3).

	Revenue				**Gross Profit (G.P)**			
	2017	**%**	2016	%	**2017**	**G.P**	2016	G.P
	HK$'M	**to total**	*HK$'M*	to total	***HK$'M***	**%**	*HK$'M*	%
Exploitation and sale of renewable energy business								
– Sale of electricity	**194.60**	**81.77**	70.70	58.33	**89.12**	**45.79**	24.90	35.22
– Sale of compressed natural gas	**29.83**	**12.54**	39.42	32.52	**(3.83)**	**n/a**	5.81	14.74
– Service income from collection of landfill gas	**13.55**	**5.69**	11.09	9.15	**7.47**	**55.13**	3.63	32.73
Total	**237.98**	**100**	121.21	100	**92.76**	**38.98**	34.34	28.33

Analysis of renewable energy projects on hand is as follows:

	Project name	**Provincial cities in PRC/ Indonesia**	**Business mode**	**Equity interest held by Company (%)**	**Actual/ Expected Commencement date of operation**	**Exclusive right to collect landfill gas expiry in**
1	Nanjing Jiaozishan	Jiangsu	Power generation	100	October 2013	June 2025
2	ZhuZhou Biogas	Hunan	Power generation	100	November 2014	October 2023
3	Shenzhen Pingshan	Guangdong	Power generation	100	January 2016	September 2024
4	Baoji	Shaanxi	Power generation	100	May 2016	April 2028
5	Chenzhou Environmental	Hunan	Power generation	100	March 2016	February 2029
6	Huayin Heng Yang	Hunan	Power generation	100	March 2016	October 2029
7	Chongqing Camda	Chongqing	Power generation	100	May 2016	May 2028
8	Hainan Camda	Hainan	Power generation	100	May 2016	*Note 1*
9	Wuzhou Landfill	Guangxi	Power generation	100	September 2016	September 2022
10	Changsha Operation Contract*	Hunan	Power generation	–	May 2014	October 2039
11	Changsha Qiaoyi Landfill Site*	Hunan	CNG	94.6	December 2015	
12	Shenzhen Xiaping Landfill Site	Guangdong	CNG	88	July 2015	April 2030
13	Liuyang Biogas	Hunan	CNG/Power generation	100	CNG: July 2016 Power generation: October 2016	October 2038

	Project name	Provincial cities in PRC/ Indonesia	Business mode	Equity interest held by Company (%)	Actual/ Expected Commencement date of operation	Exclusive right to collect landfill gas expiry in
14	Qingshan Landfill Site	Guangdong	CNG/Power generation	100	CNG: May 2016 Power generation: October 2016	July 2024
15	He County	Anhui	Operation of landfill	100	December 2018	February 2036
16	Yichun South Suburban	Jiangxi	Power generation	100	July 2017	September 2026
17	Ningbo Qiyao	Zhejiang	Power generation	100	February 2017	June 2028
18	Shandong Qiyao	Shandong	Power generation	100	May 2017	November 2029
19	Datang Huayin	Hunan	Power generation	100	February 2017	March 2024
20	Chengdu City	Sichun	Power generation	49	May 2017	December 2027
21	Xinhua	Hunan	Power generation	100	November 2017	December 2026
22	Zhangjiakou	Hebei	Power generation	70	October 2018	*Note 1*
23	Fengcheng	Jiangxi	Power generation	100	January 2018	March 2032
24	Anqiu City	Shandong	Power generation	100	March 2018	*Note 1*
25	Ankang**	Shaanxi	Power generation	100	May 2019	February 2029
26	Danzhou	Hainan	Power generation	100	April 2019	*Note 1*
27	Changle**	Fujian	Power generation	100	June 2019	*Note 1*
28	Puning**	Guangdong	Operation of landfill and reduction of carbon emission	100	June 2019	*Note 1*
29	Dongyang	Zhejiang	Power generation	90	July 2018	June 2025
30	Haicheng	Liaoning	Power generation	100	March 2019	*Note 1*
31	Anlu	Hubei	Power generation	90	March 2019	February 2030
32	Laizhou	Shandong	Power generation	100	March 2019	February 2028
33	Jiangsu Tangyuan**	Jiangsu	Biomass power generation	51	September 2017	N/A
34	Jakarta TPST	Jakartra	Power generation	95	February 2018	December 2023

* Projects of Changsha Subcontracting Contract and Changsha Qiaoyi Landfill Site are sharing household waste resources in the same site in Changsha.

** As at date of this announcement, these projects have not been formed the project company or completed the acquisition.

Note 1: The collection period of landfill gas is until the volume of landfill gas generated from the Landfill reduced to the level of which could not be further utilized.

ACQUISITION AND/OR FORMATION OF RENEWABLE ENERGY PROJECTS DURING THE YEAR UNDER REVIEW

1. Datang Huayin Project

On 23 January 2017, Shenzhen City New China Water Environmental Technology Limited* ("**Shenzhen New China Water**") (深圳市新中水環保科技有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreements with Datang Huayin Electric Power Co., Ltd* (大唐華銀電力股份有限公司) and Xiangtan Feihong Industry Company* (湘潭飛宏實業公司) (collectively known as "**Vendors**"), to purchase the entire equity interests of the Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* (大唐華銀湘潭環保發電有限責任公司) ("**Datang Huayin Project**") at an aggregated consideration of approximately RMB0.97 million (equivalent to approximately HK$1.10 million) and the liabilities in aggregate of approximately RMB4.6 million (equivalent to approximately HK$5.20 million) shall be settled by Datang Huayin Project to Vendors if Datang Huayin Project is unable to settle such liabilities, Shenzhen New China Water will be responsible for such payment. Datang Huayin Project principally engages in the harmless treatment of city solid waste in Xiangtan Yuetang landfill. The acquisition was completed in February 2017.

2. Fengcheng Landfill Project

On 17 March 2017, Fengcheng Environmental Hygiene Department* (豐城市環境衛生處) and Shenzhen New China Water have entered into an agreement on the neutralized collection and power generation of landfill gas. The agreement has a term of 15 years. Fengcheng Environmental Hygiene Department will allow Shenzhen New China Water to neutralize and collect all the landfill gas produced at Fengcheng Municipal Solid Waste Landfill ("**Fengcheng Landfill Project**"). In return, Shenzhen New China Water shall be responsible for the collection and utilization of Fengcheng landfill gas, the construction and production, the integrated utilization of collected landfill gas resources and the obtainment of profits. The Fengcheng Landfill Project Company has been established in March 2017.

3. Zhangjiakou Landfill Project

On 1 April 2017, Zhangjiakou City Cleaning and Wastage Disposal Company Limited* (張家口市城潔廢棄物處置有限責任公司) ("**Zhangjiakou Company**") and Shenzhen New China Water have entered into a development and operation agreement on the neutralized collection and power generation of landfill gas, pursuant to which Zhangjiakou Company and Shenzhen New China Water have agreed to establish the project company which will be owned as to 70% by New China Water and as to 30% by Zhangjiakou Company ("**Zhangjiakou Landfill Project**"). The registered capital of project company will be RMB15 million. The collection period of landfill gas is until the volume of landfill gas generated from Zhangjiakou Landfill reduced to the level of which could not be further utilized. The Zhangjiakou Landfill Project Company has been established in May 2017.

4. Anqiu City Landfill Project

On 1 June 2017, Anqiu City Environmental Hygiene Department* (安丘市環境衛生管理處) and New China Water (Nanjing) have entered into an agreement on the neutralized collection and power generation of landfill gas ("**Anqiu City Landfill Project**"). The collection period of landfill gas is until the volume of landfill gas generated from Anqiu Landfill reduced to the level of which could not be further utilized. Anqiu City Environmental Hygiene Department allowed New China Water (Nanjing) to neutralize and collect all the landfill gas produced at Anqiu Landfill. In return, New China Water (Nanjing) shall be responsible for the collection and utilization of Anqiu City landfill gas, the construction and production, the integrated utilization of collected landfill gas resources and the obtainment of profits. The Anqiu City Landfill Project Company has been established in June 2017.

5. Ankang Landfill Project

On 24 October 2017, Shenzhen New China Water and Hunan Xingtuo New Energy Company Limited* (湖南興拓新能源有限公司) (the "**Hunan Xingtuo**") entered into the Acquisition Agreement, pursuant to which the Hunan Xingtuo has agreed to sell and Shenzhen New China Water has agreed to purchase the entire equity interests of the Ankang Xingtuo Environmental Power Generation Company Limited* (安康興拓環保發電有限公司) (the "**Ankang Landfill Project**"), at a consideration of approximately RMB2.85 million (equivalent to approximately HK$3.36 million). The Ankang Landfill Project is located in Shanxi Province, and is currently capable of processing garbage of 450 tonnes per day, with an estimate useful life of not less than 10 years. Pursuant to the development plan of the Ankang Landfill Project, investment of RMB15 million (equivalent to approximately HK$17.7 million) will be made to build up the plant in 2018 and a further investment of RMB7 million (equivalent to approximately HK$8.26 million) will be made to enhance the power generating capacity to 3,000 kilowatt in 2019. Electricity generated by the Ankang Landfill Project shall be entitled to an on-grid electricity price RMB0.532 per kilowatt hour. Up to the date of this announcement, the acquisition has not yet to complete.

6. Danzhou Landfill Project

On 24 October 2017, Shenzhen New China Water and Danzhou Environmental Hygiene Authority, entered into an Operation Agreement, pursuant to which Danzhou Environmental Hygiene Authority granted the Shenzhen New China Water an operational right to operate on the Danzhou landfill (the "**Danzhou Landfill Project**") The Danzhou landfill Project is located in Hainan Province, and is currently capable of processing garbage of 600 tonnes per day. The Shenzhen New China Water will invest approximately RMB23 million (equivalent to approximately HK$27.14 million) to the construction of the relevant facilities in relation to operation in the Danzhou Landfill Project, which includes three power generation sets each with power of 1,063 kilowatt and total power generation capacity amounting to 3,000 kilowatt. Electricity generated from the Danzhou Landfill Project shall be entitled to an on-grid electricity price RMB0.637 per kilowatt hour. The Danzhou Landfill Project Company has been established in November 2017.

7. **Changle Landfill Project**

On 27 October 2017, Shenzhen New China Water and Changle Xindongyang Environmental Purification Limited* (長樂新東陽環保淨化有限公司) ("**Changle Xindongyang**"), entered into an Operation Agreement I, pursuant to which Changle Xindongyang granted Shenzhen New China Water an operational right to operate on the Changle Landfill ("**Changle Landfill Project**"). The Changle Landfill Project is located in Fujian Province, and is currently capable of processing garbage of 560 tonnes per day with an estimate useful life of not less than 10 years. Changle Landfill Project is currently operated and managed by Changle Xindongyang under the build-operate-transfer agreement. Shenzhen New China Water will invest approximately RMB24 million (equivalent to approximately HK$28.32 million) to the construction of the relevant facilities in relation to operation in the Changle Landfill, The total power generation capacity is amounting to 3,000 kilowatt per hour. Electricity generated from the Changle Landfill shall be entitled to an on-grid electricity price RMB0.629 per kilowatt hour. Up to the date of this announcement, the Changle Landfill Project Company has not yet to establish.

8. **Puning Landfill Project**

On 27 October 2017, Shenzhen New China Water and Puning Municipal Bureau of Environmental Sanitation* (普寧市城鎮環境衛生管理局) ("**Puning Municipal Bureau**") entered into an Operation Agreement II, pursuant to which Puning Municipal Bureau granted Shenzhen New China Water an operational right to operate on the Puning Landfill ("**Puning Landfill Project**"). The Puning landfill Project is located in Guangdong Province, and is currently capable of processing garbage of 700 tonnes per day, with an estimate useful life of not less than 8 years. Shenzhen New China Water will invest approximately RMB23 million (equivalent to approximately HK$27.14 million) to the construction of the relevant facilities in relation to operation in the Puning Landfill, which includes three power generation sets each with power of 1,063 kilowatt per hour and total power amounting to 3,000 kilowatt per hour. Electricity generated from the Puning Landfill shall be entitled to an on-grid electricity price RMB0.699 per kilowatt hour. Up to the date of this announcement, the Puning Landfill Project Company has not yet to establish.

9. Jakarta TPST Landfill Project

On 10 November 2017, Victory Strategy Investment Limited ("**Victory Strategy**"), PT. Navigat Organic Energy Indonesia ("**NOEI**") and Zeus Capital Limited ("**Zeus Capital**"), entered into a Subcontract Cooperation Agreement, pursuant to which NOEI and Zeus Capital granted Victory Strategy an operational right to operate on the Jakarta TPST Landfill ("**Jakarta TPST Landfill Project**"). Pursuant to the Subcontract Cooperation Agreement, Victory Strategy, NOEI and Zeus Capital agreed to cooperate on the landfill gas power generation project in Jakarta TPST Landfill for a term up to 4 December 2023 which is the same as the remaining term of NOEI's exclusive right of use under the Solid Waste Treatment Agreement. The Jakarta TPST Landfill is located in Bantar Gebang, Bekasi City, Jakarta, Indonesia and is currently capable of processing garbage of 7,000 tonnes per day. NOEI has entered into the Solid Waste Treatment Agreement with the environmental department of Jakarta, Indonesia and has been granted the exclusive right to the landfill gas resources of the Jakarta TPST landfill until 4 December 2023. NOEI has built and operated at the Jakarta TPST landfill gas power plant since 2013. The total power generation set capacity is amounting to 16,000 kilowatt per hour. Electricity generated from the Jakarta TPST landfill shall be entitled to an on-grid electricity price RP820 per kilowatt hour (approximately HK$0.492 per kilowatt hour). Pursuant to the Subcontract Cooperation Agreement, 86.5% of Power Generation Income shall be used, controlled and entitled by the Victory Strategy as subcontract operation service expenses, of which shall first be applied to the daily operation expenses and related taxes arising out of the Operation Project, and the balance shall first be repaid to the Victory Strategy's loan (if any), and the remaining of it shall be paid to the Victory Strategy's subcontract operation service fees. Victory Strategy will invest approximately HK$35 million to the project company for the construction of the relevant facilities in relation to the operation in the Jakarta TPST Landfill. The Project Company namely PT.CWI Energy Indonesia was formed in February 2018.

10. Dongyang Landfill Project

On 22 November 2017, Shenzhen New China Water and the Grand Energy Group Co., Ltd.* ("**Grand Energy**.") (弘翔能源集團有限公司) entered into the Acquisition Agreement, pursuant to which the Grand Energy has agreed to sell and the Shenzhen New China Water has agreed to purchase 90% equity interests of the Dongyang Grand Energy Co., Ltd.* (東陽弘翔新能源有限公司) ("**Dongyang Landfill Project**"), at a consideration of approximately RMB22.95 million (equivalent to approximately HK$27.56 million). The Dongyang Landfill Project is located in Dongyang city, Zhejiang Province, and is currently capable of processing garbage of 1000 tonne per day, with an estimate useful life of 10 years. The Dongyang Landfill Project has three power generation sets each with power of 1,067 kilowatt and total power generation capacity amounting to 3,000 kilowatt per hour. Upon the completion of acquisition, the total power generation capacity will be enhanced to 5,000 kilowatt per hour. Electricity generated from the Dongyang Landfill Project shall be entitled to an on-grid electricity price RMB0.676 per kilowatt hour. Up to the date of this announcement, the acquisition was completed in March 2018.

ACQUISITION AND/OR FORMATION OF RENEWABLE ENERGY PROJECTS AFTER THE YEAR UNDER REVIEW

11. Haicheng Landfill Project

On 8 January 2018, Haicheng City Garbage Disposal Center* ("**Haicheng Centre**") (海城市垃圾處理中心), Haicheng Urban and Rural Construction Administration* (海城市城鄉建設管理局) and Shenzhen New China Water have entered into a Harmless Landfill Gas Collection and Combustion Power Generation and Utilization Agreement ("**Haicheng Landfill Project**"). The collection period of landfill gas is until the volume of landfill gas generated from Haicheng Landfill reduced to the level of which could not be further utilized. Pursuant to the Agreement, the net profit generated from carbon emission shall share equally between Haicheng Centre and Shenzhen New China Water. In addition, there is 5% of annual electricity income after deduction of VAT and subsidy payable to Haicheng Centre as a resource fee. Shenzhen New China Water shall form a project company within 3 months upon the agreement to be signed ("**Project Company**"). Haicheng Centre allowed Project Company to neutralize and collect all the landfill gas produced at Haicheng landfill. Project Company shall be responsible for the project construction and collection landfill gas in return of profit from the sale of electricity, CNG and carbon emission. Shenzhen New China Water will invest approximately RMB35 million (equivalent to approximately HK$42.02 million) to the construction of the relevant facilities in relation to operation in the Haicheng Landfill, The total power generation capacity is amounting to 5,000 kilowatt per hour. Electricity generated from the Haicheng Landfill shall be entitled to an on-grid electricity price RMB0.62 per kilowatt hour. The Haicheng Landfill Project Company has established in March 2018.

12. Anlu City Landfill Project

On 5 February 2018, Anlu Urban and Rural Construction Bureau* ("**Anlu Bureau**") (安陸市城鄉建設局) and Hubei Province Renewable Resources Group Company Ltd.* ("**Hubei Resources**") (湖北省再生資源集團有限公司) have entered into a Deodorization and Biogas Utilization Agreement ("**Anlu City Landfill Project**"). Pursuant to the Agreement, Hubei Resources Co. and Shenzhen New China Water will jointly form a project company of which as to 90% equity interest hold by Shenzhen New China Water and as to 10% equity interest hold by Hubei Resources ("**Anlu Project Company**") The investment for this project is estimated RMB14 million (equivalent to approximately HK$16.81 million). There is 2% of annual electricity income payable to Anlu Bureau as a resource fee. The collection period of landfill gas is 12 years. Anlu Bureau allowed Anlu Project Company to neutralize and collect all the landfill gas produced at Anlu landfill. Anlu Project Company shall be responsible for the project construction and collection landfill gas in return of profit from the sale of electricity and carbon emission. The total power generation capacity is amounting to 2,000 kilowatt per hour. Electricity generated from the Anlu Landfill shall be entitled to an on-grid electricity price RMB0.634 per kilowatt hour. The Anlu City Landfill Project Company has established in March 2018.

13. Laizhou City Landfill Project

On 5 February 2018, Laizhou City Living Garbage Landfill* (萊州市生活垃圾填埋場) and New China Water (Nanjing) have entered into a Landfill Gas Resource Utilization Agreement ("**Laizhou City Landfill Project**"). The collection period of landfill gas is 10 years. Laizhou City Living Garbage Landfill allowed New China Water (Nanjing) to neutralize and collect all the landfill gas produced at Laizhou landfill. New China Water (Nanjing) shall be responsible for the project construction and collection landfill gas in return of profit from the sale of electricity and carbon emission. New China Water (Nanjing) will invest approximately RMB21 million (equivalent to approximately HK$25.21 million) to the construction of the relevant facilities in relation to operation in the Laizhou Landfill. The total power generation capacity is amounting to 3,000 kilowatt per hour. Electricity generated from the Laizhou Landfill shall be entitled to an on-grid electricity price RMB0.604 per kilowatt hour. The Laizhou City Landfill Project Company has established in March 2018.

14. Jiangsu Tangyuan Project

On 8 March 2018, Shenzhen New China Water, Jiangsu Tangyuan Biological Power Generation Co., Ltd.* ("**Jiangsu Tangyuan**") (江蘇唐源生物發電有限公司) and Tang Yongcheng ("**Mr. Tang**"), the existing shareholder of Jiangsu Tangyuan entered into a Share Subscription and Capital Injection Agreement ("**Jiangsu Tangyuan Project**"). Upon completion of capital injection of RMB10.40 million (equivalent to approximately HK$12.49 million) by Shenzhen New China Water, the registered capital of the Jiangsu Tangyuan will increase from RMB10 million to RMB20.4 million (equivalent to approximately HK$24.49 million). Shenzhen New China Water and Mr. Tang will hold 51% and 49% equity interest of Jiangsu Tangyuan respectively. The main business of Jiangsu Tangyuan is biomass power generation, hot water, and sale of carbonized rice husks. Jiangsu Tangyuan has commenced its operation in September 2017. The total power generation capacity is amounting to 5,000 kilowatt per hour and an on-grid electricity price RMB0.76 per kilowatt hour. In addition, the annual production of carbonized rice husks is 6,000 tonne and an estimated selling price RMB2,600 per tonne. As at date of this announcement, the acquisition has not been completed.

OTHER EVENTS DURING THE YEAR UNDER REVIEW

A. Mingyue Mountain Project

On 17 February 2017, Yichun Mingyue Mountain Spa Scenic Zone Management Committee* 宜春市明月山溫泉風景名勝區管理委會 ("**Mingyue Mountain Spa Management Committee**") and Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd.* 宜春市明月山方科污水處理有限公司 ("**Mingyue Mountain Fangke**") an indirect non-wholly owned subsidiary of the Company have entered into a BOT concession contract for the build, operate and transfer of Yichun Mingyue Mountain Wentang Sewage Treatment Plant ("**Mingyue Mountain Project**") with a term of 26 years. Located in Wentang Town, Yuanzhou District, Yichun, Jiangxi Province, the project is estimated to cost approximately RMB36 million, and has a designed capacity of 20,000 tonnes per day in the short term and 30,000-40,000 tonnes per day in the long term. In September 2016, Mingyue Mountain Fangke was established for the purpose of Mingyue Mountain Project with registered capital of no less than RMB12 million. This project company is held as to 65% by Yichun Fangke Sewage Treatment Company and as to 35% by Jiangxi Mingyue Mountain Travel Group Company Limited* (江西明月山旅遊集團有限公司). The construction of Mingyue Mountain Project is expected to be completed in December 2018.

B. Yingtan Xiang Rui Property Limited

On 24 July 2017, the Jiangxi Shunda Construction Engineering Limited* ("**Jiangxi Shunda**") (江西省順大建築安裝工程有限公司), an indirect wholly-owned subsidiary of the Company, and the Mr. Zhou Ping Hua* ("**Mr. Zhou**") (周平華) entered into the Acquisition Agreement, pursuant to which the Mr. Zhou have conditionally agreed to sell and the Jiangxi Shunda has conditionally agreed to purchase 49% of the equity interests of the Xiang Rui Property at a consideration of approximately RMB33.3 million (equivalent to approximately HK$36.9 million). As at 30 June 2017, the Xiang Rui Property is held as to 51% directly by Jiangxi Shunda. The acquisition of 49% equity interest was completed in August 2017.

C. Phase II of the Sewage Treatment Plant in Jinxiang – Jinxiang Project

On 12 October 2017, Shenzhen Haisheng Environmental Sci-Tech Company Limited* (深圳市海晟環保科技有限公司) (the "**Hai Sheng Environmental**"), and Jinxiang People's Government of the PRC (the "**Jinxiang County Government**") entered into the BOT Agreement, pursuant to which Hai Sheng Environmental agreed to invest and operate in the phase II of the sewage treatment plant located in Jinxiang County with a total investment of approximately RMB77.7 million (equivalent to approximately HK$93.7 million). Upon completion of the construction of the sewage treatment plant and after carrying out the inspection by and obtaining confirmation from the environmental regulatory department that the water quality is in compliance with the standard as stipulated in the BOT Agreement, Hai Sheng Environmental will be entitled to an operational period of 29 years. The construction of Jinxiang Project is expected to be completed in March 2019.

OTHER EVENTS AFTER THE YEAR UNDER REVIEW

D. Honghu Blue Valley Property

On 10 January 2018, Huizhou Swan Heng Chang Property Development Company Limited* (惠州鴻鵠恒昌置業有限公司) ("**Huizhou Company**") an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreements with the China Minsheng Drawin Construction Co., Ltd* (中民築友建設有限公司) in relation to the construction of the premises in Huizhou, the PRC at a consideration of RMB120 million (or approximately HK$144.6 million). The property namely Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) located at Huicheng High-tech Industrial Park Center Park, Huizhou City, the PRC ("**Honghu Blue Valley Property**") and is expected to be completed in June 2019. Total gross floor area is 35,725 square meters. Honghu Blue Valley Property comprise of (i) 3 research and development centers; (ii) 17 office buildings for sale (iii) shopping malls and (iv) associated basements.

E. Photovoltaic Power Project

On 23 March 2018, Golden Trend International Capital Limited ("**Golden Trend**"), an indirect wholly-owned subsidiary of the Company, and Mr. Li Han ("**Mr. Li**") entered into a Sales and Purchase Agreement, pursuant to which Mr. Li has agreed to sell and Golden Trend has agreed to purchase the entire equity interest of the Keen Resources Investment Limited ("**Keen Resources**") at a consideration of HK$1.50 million. Keen Resources and its subsidiaries principally engage in photovoltaic power plant construction, operation, maintenance and sales of photovoltaic equipment. The operation of photovoltaic power project will commence at the end of March 2018. As at date of this announcement, the acquisition has not been completed.

F. Increase in water tariffs

The People's Government of Yichun City, Jiangxi Province, the PRC approved the increase in water tariffs and the implementation of multi-step water tariff system for household usage of Yichun City. The water tariff: (a) for household usage will be increased from RMB1.04 to RMB1.40 per tonne; (b) for non-household usage will be charged at RMB1.96 per tonne; and (c) for special industrial usage will be charged at RMB7.00 per tonne. The effective date of increase in water tariff and the multi-step water tariff system to be adopted by Yichun Water on 1 January 2018.

G. Placing of Bond III

On 11 January 2018, the Company entered into a Placing Agreement (the "**Placing Agreement III**") with Prior Securities Limited (the "**Placing Agent III**") pursuant to which the Placing Agent III on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of three years in aggregate principal amount of up to HK$100 million ("**Bond III**"), within 365 days from the date of the Placing Agreement III.As at the date of this announcement, the placing of Bond III has not been completed.

H. Placing of Bond IV

On 18 January 2018, the Company entered into a Placing Agreement (the "**Placing Agreement IV**") with Prior Securities Limited (the "**Placing Agent IV**") pursuant to which the Placing Agent IV on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK$100 million ("**Bond IV**"), within 365 days from the date of the Placing Agreement IV. As at the date of this announcement, the placing of Bond IV has not been completed.

LITIGATIONS

(a) Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("**Swift Surplus**") (collectively as the "**Lenders**") entered into repayment agreements (the "**Repayment Agreements**") with the Sihui Sewage Treatment Co. Ltd.* (四會市城市污水處理有限公司) ("**Sihui Sewage**") and Top Vision Management Limited ("**Top Vision**") (collectively as the "**Borrowers**") together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK$58.43 million together with interest accrued thereon (the "**Loan Receivables**"). HK$5 million of the Loan Receivables will be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK$5 million of the Loan Receivables. However, the remaining Loan Receivables of HK$53.43 million (the "**Remaining Loan Receivables**") plus underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately HK$18.03 million of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the "**Partial Payment of the Remaining Loan Receivables**"). Nevertheless, Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK$35.40 million of the Remaining Loan Receivables and underlying interests (the "**Outstanding Balance**"). Despite the Company several requests and demands, Top Vision failed to effect payment of the

Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the "**Writ**") to the High Court of Hong Kong Special Administrative Region (the "**High Court**") to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the "**Final Judgement**"). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgement against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited ("**Galaxaco**") to wind up Top Vision, one of the creditors of Top Vision. Top Vision has now been wound up by the High Court by a Winding up Order under Companies Winding-up Proceedings No.157/2014 and the first meeting of creditors of Top Vision was held on 30 October 2014 for the appointment of provisional of liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the "**Appointment**") pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco ("**Creditors**"). On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators ("**Liquidators**"). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision.

On 16 July 2015, the Zhaoqing Intermediate People's Court adjudged that the Final Judgement recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision ("**PRC Judgement**"). On 27 January 2016, the PRC Judgement was announced on the website of The People's Court Announcement for 60 days ("**Announcement Period**"). If Top Vision has not appealed for the PRC Judgement within 30 days after the Announcement Period, the PRC Judgement will be automatically effective thereafter, the Company can enforce the PRC Judgement. On 10 August 2016, Sihui City People's Court* (四會市人民法院) accepted to execute the PRC Judgement in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People's Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2019. In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings.

On 6 March 2018, Liquidators informed Creditors that Top Vision sold its entire shareholding in Top Vision Huizhou to Tai Heng Construction Holding Ltd. ("**Tai Heng**") without payment of purchase consideration of RMB1 million. In light of this, Liquidators have through their solicitors issued a protected writ in the High Count against Tai Heng for recovery of a debt in the sum around HK$3.80 million plus interest and costs. Up to the date of this announcement, no substantial assets have yet been preserved or recovered. As at 31 December 2017 and 31 December 2016, the loan receivables from Top Vision of HK$43.60 million were fully impaired.

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the Loan Receivables has been provided. It is unlikely that there will be a material adverse financial impact of the Group.

(b) Guangzhou Hyde Environmental Protection Technology Co., Ltd., an indirect wholly owned subsidiary of the Company

Guangzhou Hyde Environmental Protection Technology Co. Ltd.* (廣州市海德環保科技有限公司) ("**Guangzhou Hyde**") (an indirect wholly-owned subsidiary of the Company) and Yunnan Chaoyue Gas Company Limited* (雲南超越燃氣有限公司) ("**Yunnan Chaoyue Gas**") entered into the cooperation contract dated 13 October 2010, pursuant to which Guangzhou Hyde shall paid a refundable deposit of HK$10 million ("**Deposit**") to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake project ("**Project**"). Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Deposit to Guangzhou Hyde within nine months once it was unsuccessfully to obtain the Project. Yunnan Chaoyue Gas has failed to repay the aforesaid Deposit to Guangzhou Hyde when it fell due despite Guangzhou Hyde's repeated requests and demands.

The Deposit was classified as loan receivable and fully impaired in 2011. The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission ("**Commission**") for arbitration on 24 February 2012. The Commission accepted the case and started a trial on 5 June 2012. After the trial, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million ("**Principal**") and overdue interests thereon and the relevant arbitration fees. The above award confirmed the amount to be paid by Yunnan Chaoyue Gas to Guangzhou Hyde should be settled in one-off manner within 10 days from the date on which this award was served. Late payment will result in proceedings set out in article 229 of Civil Procedure Laws of the People's Republic of China. As Yunnan Chaoyue Gas has not performed repayment obligation under the award on time, Guangzhou Hyde applied to Kunming Intermediate People's Court (the "**Kunming Court**") for civil enforcement on 21 July 2012, and Kunming Court has accepted such application. On 13 May 2013, Yunnan Chaoyue Gas provided loan repayment plan (the "**Repayment Plan**") to Guangzhou Hyde. On 1 September 2014, Kunming Court had approved the civil enforcement against Yunnan Chaoyue Gas. Yunnan Chaoyue Gas had not performed the repayment obligation according to the Repayment Plan. On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the "**Guarantors**") entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the "**Settlement Agreement**"). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. The aforesaid litigation is unlikely to have any significant material adverse financial impact on the Group.

Save as disclosed above, the Company is not aware of any other significant proceedings instituted against the Company.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group has the capital commitments contracted but not provided for acquisition of property, plant and equipment and concession intangible assets approximately HK$155.71 million (FY2016: HK$ HK$29.68 million) and no properties under development in relation to development costs of existing projects have been provided (FY2016: Nil).

CONTINGENT LIABILITIES

During the year, the Company issued guarantees to banks in respect of bank borrowings made by two subsidiaries which expire on 24 May 2018 and 26 September 2019. As at 31 December 2017, the maximum liability of the Company relating to the aforesaid guarantee issued is the outstanding amount of the bank borrowings of the subsidiaries of HK$14.41 million (FY2016: HK$29.03 million).

PLEDGE OF ASSETS

The Group's obligations under finance leases, bank loans and other loans of HK$114.15 million in total as at 31 December 2017 (FY2016: HK$149.27 million) were secured by charges over:

(i) property, plant and equipment in which their carrying amount was HK$141.28 million (FY2016: HK$33.20); and

(ii) contractual rights to receive revenue generated by certain of our subsidiaries.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the FY2017. (FY2016: Nil)

CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of Directors are set out as follows:

On 21 April 2017, Mr. Wang De Yin ("**Mr. Wang**") has resigned to act as a Chairman, a Chief Executive Officer ("**CEO**"), an executive Director and a Chairman of both of the Nomination Committee and the Investment Committee of the Company and other directorship in subsidiaries of the Group. Mr. Wang was appointed as a chief consultant subsequent to the cessation of his aforesaid service. At the same date, Mr. Deng Jun Jie ("**Mr. Deng**") has been appointed as a Chairman, an executive Director and a Chairman of the Nomination Committee of the Company and Mr. Lin Yue Hui ("**Mr. Lin**"), currently an executive Director of the Company, has been appointed as a CEO and is redesignated from a member to a Chairman of the Investment Committee of the Company.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

NO MATERIAL CHANGE

Save as disclosed in this announcement, during the FY2017, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the FY2016.

EMPLOYEES

As at FY2017, excluding jointly controlled entities and associates, the Group had 1,097 (2016: 1,093) employees, of which 16 (2016: 13) are Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$162.27 million (2016: HK$153.03 million). The increase was caused by several of our renewable energy projects have commenced their operations in 2017. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages are normally reviewed as an annual basis by the Remuneration Committee. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders' expectation and comply with relevant standards. The Board believed that the Company has complied with the code provisions of Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the FY2017 except for the following deviation:

- Pursuant to the code provision of A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all Directors should be subject to retirement by rotation at least once every three years. All independent non-executive Directors ("**INEDs**") of the Company were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Company's Article of Association.

- Pursuant to code provision A.6.7 of the CG Code, the INEDs and other non-executive Directors should attend general meetings. At the AGM held on 16 June 2017 ("**2017 AGM**"), Mr. Guo Chao Tian ("**Mr. Guo**") was unable to attend 2017 AGM due to his business engagement in China. Mr. Guo is an INED of the Company. Except for him, all Directors of the Company had attended the 2017 AGM, at which the Directors had communicated with and developed a balanced understanding of the views of shareholder.

Upon the resignation of Mr. Wang as a Chairman and CEO and the appointments of Mr. Deng and Mr. Lin as a Chairman and CEO respectively with effective on 21 April 2017, the roles of Chairman and CEO of the Company were separated and performed by different persons. Such arrangements were complied with the requirement in CG Code. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

CHAIRMAN STATEMENT

2017 was a year for the Group to grow fast and deep strengthen corporate management. The construction of ecological civilization was placed an unprecedented emphasis on at the 19th CPC National Congress recently held in China, where the fundamental national policy of protecting the environment and the significant objective of improving environmental quality were reiterated and the strategic thought of "lucid waters and lush mountains are invaluable assets" was further clarified. Benefiting from the business opportunities presented by the successively promulgated national favourable policies to the environmental protection industry, the industry is obviously on the rise. We shall proactively cope with this situation and strive for a better prospect.

Market Review

The reform of the urban water supply industry was gradually deepening with the increasing deregulation of the water service market. In the relevant "Guiding Opinions on the Market-oriented Reform of Urban Public Utilities" published in 2002 and the "Measures Governing the Franchising of Municipal Public Utilities" published in 2004 by the Ministry of Construction respectively, the criteria for commissioning the franchising of municipal public facilities were specified so that substantial progress was made in the reform of the urban water supply industry. At present, some Chinese domestic water supply companies are reforming and exploring the property ownership regime in various ways, resulting in various patterns of reform being carried out in the urban water supply industry. In the mean time, China's urban water supply industry has successfully gone through the construction period into a maturity stage primarily dominated by the service industry. As China is introducing various water-saving initiatives, water consumption per unit of GDP and water consumption per capita will be gradually reducing. However, given the increasing population, deepening urbanization and growing industrial production, there continues to be stable growth in the overall demand in the urban water supply industry.

The environmental protection industry, a major strategic emerging industry under the "13th Five-year Plan", remained to be the trend of development which received strong policy support. This industry played a more important role in the supply-side reform programme particularly under the environment where the economy was facing pressure from transformation and there was an urgent need to renovate the ecological environment. China has been placing increasing emphasis on environmental protection. Biogas power generation will help reduce greenhouse gas emissions, which is conducive to mitigating the greenhouse effect and reducing a large amount of organic waste. It is a typical resource recycling project. For these reasons, it has good economic and environmental benefits. Since its start-up, China's biogas power generation market has maintained a stable growth rate. According to the National Bureau of Statistics, the size of China's biogas power generation market has grown by leaps and bounds from 2011 to 2017. In 2011, the market size was merely about RMB789 million, while in 2013, it exceeded RMB1.0 billion, representing a growth rate of 19.32%, the highest one ever recorded during the recent years. Since 2014, the state has successively introduced a number of biogas power generation development plans and subsidy policies, which has driven the expansion of industry players. As a result, the market size has also achieved rapid growth. In 2014, the size of the market segment reached nearly RMB1.23 billion, representing a growth rate of around 16%. The size of the market segment increased to RMB1.812 billion in 2017. Overall, the biogas power generation market experienced a CAGR of 14.9% from 2011 to 2017. This suggests that biogas power generation holds enormous growth potential and a broad market prospect.

Business Review

1. The water supply segment continued to attain steady growth in profits

The Group's urban piped water supply and sewage treatment companies continued as a going concern, and the profits of these companies increased steadily. While improving the water quality processing technology and delivering quality services, the Group grew in a flexible way and operated smoothly. Among these companies, Yingtan Water performed satisfactorily. While delivering stable performance in principle businesses, it applied smart meters each and every where, recorded the lowest leakage rate in the province and saw continued growth in profit. In addition, it established tertiary industry operation centers in Nanchang and vigorously promoted the development of tertiary industries, laying a solid foundation for the Company's external development and talent cultivation. Yichun Water expanded the water service market aggressively. It recorded a year-on-year growth in profit, with the profit ranking second. As approved by the government, the water tariff increased from RMB1.04 to RMB1.4 for household usage, representing an increment of 34.6%, being the highest upwards water tariff adjustment over the past decade. Other water service companies were operating in order and pursuing vigorously for development opportunities.

2. Biogas power generation underwent rapid project growth and successfully tapped into overseas markets

The Group's New China Water companies had acquired 30 landfill gas utilization projects and signed 4 agreements for acquisition and operation, with an aggregate power generation designed capacity of 168MW, reflecting the rapid investment growth. In 2017, the Group successfully signed for the first overseas project in Jakarta, Indonesia, the installed capacity of which reached 16 MW. At present, there are 21 projects put into operation, with an actual installed generating capacity of 91MW; and 13 projects under construction, with an installed generating capacity under construction of 77MW.

To grow the solid waste segment faster and better, we devoted more efforts to intensifying reform and regulating management, optimized strategic planning and improved management rules and regulations for building a solid growth foundation.

1. Living up to benchmarking enterprises, we achieved the development advantages by combining regional operations and management with business management backed by the delicacy management of projects.

   i. We reinforced and improved the target management system of the management team, staff performance and remuneration management system, production performance management system and production safety management system; offered incentives; exercised stringent control over costs; and kept increasing efficiency in the management.

   ii. We stepped up the building of a technical team and formed an internal expert group to lay a solid foundation for the growing business. We formed a team of experts to conduct professional training in project construction, operation and maintenance of biogas power generating plants and biogas collection technology, with an aim to enhance day-to-day operation rules and safety responsibility management for technical staff at all levels.

iii. Having built up experience and improved learning for years during the process of project investment, we further improved the project investment process and assessed projects in a scientific way so as to make decisions safely.

3. ***The glass recycling business operated smoothly with an enormous space to expand***

After we worked hard for more than three years, the operation of the Hong Kong Glass Project was on track, with some progress made in solid waste collection and disposal in Hong Kong. At present, we have factory buildings with area of more than 4,000 square metres. The project is the first qualified glass collection and processing centre under the collection project subsidized by the Hong Kong government. There is a "Happy Glass Garden" in the factory building, serving as an environmental education base and acting as a platform for the primary and secondary school students and volunteer teams to learn and promote environmental protection. At the beginning of the project, we worked with the Nano and Advanced Materials Institute ("**NAMI**") in Hong Kong to develop anti-bacterial nano glass tiles for use at homes and shopping centres, which attracted much attention and applause from the industry. We also expanded the glass fragment export business, making us the first company in Hong Kong to deal in exported separating glass fragments.

4. ***An enterprise training base was set up for the cultivation of high-level management team***

We have set up a training base in Shenzhen to further improve the quality and various professional skills of employees, implement the talent strategy, and create a high-level and high-quality management team, so as to bring the rapid corporate development and talent demand in a harmonious way, and to build the talent training base into a strong support backing the talent demand of subsidiaries.

5. ***Focused on corporate propaganda for comprehensively enhancing the corporate public image.***

We participated in the environmental exhibitions and forums in Hong Kong, where we were interviewed and covered by a number of well-known media. We also received a number of leading-industry awards and honours at home, in recognition of the efforts we have made and as an ongoing encouragement to us to make another achievement in environmental protection.

Prospects and Plans

2018 will be a year of persistent development for the Group because the Group has the new energy and photovoltaic power generation segments in addition to the urban water supply and sewage treatment segments, solid waste segment and real estate development segment. The abundant internal resources and capital platform will provide a stronger impetus for the rapid development of the Group.

I. *Open up the conventional water service segment aggressively and continue to develop quality water projects*

The urban water supply business has been the Group's principal business over the years. With this business, water quality control is kept stable and the safety of urban water supply is effectively assured. Our commitment is to provide quality services for urban residents. Water treatment will reach a pinnacle during the period of the "13th Five-year Plan". With accelerating urbanization process and increasing year-by-year urban water consumption in China, there will be an enormous market demand for water supply and sewage treatment in China, giving the water industry an increasingly prominent position. Sales revenue from the water production and supply sectors is estimated at more than RMB300 billion by 2021. Moreover, the "Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment" (Guofa.2010. No. 13) specified that "the private sector shall be encouraged to invest more capital in the reorganization and restructuring of municipal public enterprises. Qualified municipal utilities projects may be operated with a market-oriented business approach by transferring the property rights or the operating rights to the private sector", "to further deepen the system reform of municipal public utilities; to bring in a market competition mechanism aggressively; and to promote a tender system vigorously for investing in and operating municipal public utilities; and to establish a sound franchise system for municipal public utilities". For these reasons, the key to the further development of the water service sector is the availability of specialized and socialized capital resources. Between 2002 and 2009, the average annual growth rate of the prices of tap water for residential purposes in 36 Chinese key cities was 4.69%, and the average annual growth rate of sewage treatment fees was 11.9%. The experience of some overseas successful urban water suppliers suggests that the household water fees should be well-matched with electricity bills, and that the price-demand curve of residents' water consumption should strike a balance if water expenses account for about 4% of personal income. However, there is a wide gap between the current water and electricity expenses in Chinese urban households (electricity expenses are several times higher than water expenses), and water expenses account for only 1.2% of personal income. In the "Study on the Water Shortage Problem in Urban and Rural Areas", the Ministry of Construction pointed out that in order to encourage residents to conserve water, it was appropriate to set the water-cost-to-income ratio at 2.5%-3%. Hence, there is a larger space for water rates to rise. Whether in terms of the scarcity of water resources in China, or the demand from water service companies to make a reasonable profit so as to improve the quality of services, or the comparison with international water tariff standards, there is still a larger space for the current water rates to rise in China. For us, this is big, good news to grow the water service segment.

We will expand the water service segment aggressively, keep improving the management mechanism, seek progress while maintaining stability and continue to acquire quality water projects. In 2017, the sewage treatment plant BOT project, a cooperation project between the Group and Mingyue Mountain Travel Group, commenced construction. The project will have a planned capacity of 40,000 tonne/day and cover an area of 60 acres, and involve, together with the ancillary pipeline network of the town. The project construction will ensure that quality water resources in Wentang will not be contaminated, will further increase the utilization of water resources to enhance the image of Mingyueshan as a tourist spot, and generate a stable investment return in future. On 12 October 2017, the Group entered into a sewage treatment plant BOT agreement with the Jinxiang County Government for the investment in and operation of the sewage treatment plant in Jinxiang County. The project will have a planned capacity of 30,000 tonne/day and the effluent quality will be of the National First-class A Standard with a 29-year operating period.

II. *As the development of solid waste segment enters the sixth year, a pattern of mass production has been seen with a promising future*

The environmental problem in China is similar to that in Western industrial developed countries in the 1970s. The extensive economic growth model characterized by high levels of emission, energy consumption and pollution has created a tremendous pressure on the resources and the environment. To transform this model into a resource-saving and environment-friendly economic growth model has become the only way for China to maintain its rapid economic growth in the future. For this reason, the Chinese government is stepping up financial commitment to the environmental protection industry. Following the promulgation of the Air Pollution Prevention and Control Action Plan, Water Pollution Prevention and Control Action Plan as well as Soil Pollution Prevention and Control Action Plan, financial commitment to environmental protection is expected to rise to around RMB2 trillion annually during the period of the "13th Five-year Plan". As the impact of solid waste on the environment is emerging progressively, the solid waste treatment industry in China will enter a rapid growth period following the sewage and waste gas treatment industries, with an average annual growth rate expected to exceed 30% to usher in a golden period. We, as a domestic environmental company in China, will also have an enormous space for development in the future. The Group has been engaged in the planning and construction of various pilot projects such as "the landfill gas project using agricultural and forestry residues in pyrolysis gasification power cogeneration for the treatment of low-grade waste combined with coal in Chenzhou, Hunan", "the landfill gas project using agricultural and forestry residues in pyrolysis gasification power cogeneration for the treatment of urban wood junk combined with coal in Jiaozishan, Nanjing" and "the Tangyuan biological gasification power generation project using carbonised rice husk in Xinghua, Jiangsu". We will vigorously push for the development of the new energy segment in the next three years. Upon completion of the existing biogas power generation and biogas purification projects, we will develop biomass power generation projects, pyrolysis gasification power generation projects and power generation projects using urban solid waste (garden, agricultural, forestry and furniture wood residues, etc.) from dumpsites to reduce the amount of waste truly for reducing carbon emissions and increasing annual revenue. It is initially expected that our total installed capacity will exceed 200 megawatts in the next three years. In the next decade, the demonstration effect of these projects will expand a huge market space for us in the field of household garbage disposal, agricultural and forestry residue disposal and pyrolysis gasification.

III. New energy photovoltaic power generation has a big potential for growth in domestic market, and we will promote the scale development of the segment

Distributed power plants have features of higher land intensiveness and higher resource utilization. Their development and construction do not require additional land occupation, and special design and development are allowed according to different water and roof space. Compared to developed countries, distributed photovoltaic power plants still have huge room for future growth in China. The rapid development of photovoltaic technology will also greatly reduce manufacturing costs and improve power generation efficiency. According to the "Guideline on Emerging Sectors of Strategic Importance during the 13th Five-year Plan Period" (《"十三五"國家戰略性新興產業發展規劃》) and the "13th Five-year Plan for Power Development" (《電力發展"十三五"規劃》), by 2020, the installed capacity of distributed photovoltaic power plants will exceed 60 GW, which will be 10 times of the cumulative installed capacity as at the end of 2015, representing a CAGR of nearly 60%; and the proportion of photovoltaic power generation in the total domestic power supply will also reach 30%. Benefiting from the national policy support for distributed photovoltaic power generation, it is expected that during the "13th Five-year Plan" period, the distributed photovoltaic power generation industry will usher in a period of rapid development and become a key development direction for the development of photovoltaic power plants in China. We have in-depth understanding and planning for the distributed photovoltaic power generation market. Given sufficient project resources and human resource reserves, our total installed capacity in 2018 is estimated to reach 100 MW.

IV. Invest in a flexible way and expand more real estate development projects

This year is an important year for the development of our real estate segment. We plan to complete the civil engineering project in 2018 for the Honghu Blue Valley Property, which is expected to be delivered in June 2019. The Guanghua Wisdom Square Project in Nanjing commenced construction works at the end of April and is expected to be capped in March 2019 and delivered for use in December 2019. Yet, in addition to the above projects, in 2018, the real estate business division is also going to accomplish the land reservation and land tendering, auction or listing procedures for the "Headquarter Base of China Water Industry Group" and the second phase of the Honghu Blue Valley Property; and strive to have the "Hong Kong Technology Cooperation Incubator" residing within the Honghu Blue Valley Property.

It is mentioned in the report on the work of the Chinese government released on 5 March 2018 that the development plan for the Guangdong-Hong Kong-Macau Greater Bay Area will be introduced this year to comprehensively promote the mutually beneficial cooperation between Mainland China and Hong Kong and Macau. The initiative was presented in the regional strategy section together with the "Beijing-Tianjin-Hebei integration" and the "Yangtze River Economic Belt" initiatives. Earlier, a spokesman for the first session of the 13th CPPCC National Committee stated that the "Outline of the Plan for the Development of the Guangdong-Hong Kong-Macau Greater Bay Area" has been programmed to be submitted for approval, and will be officially announced upon approval. The Guangdong-Hong Kong-Macau Greater Bay Area theme, in combination with the multi-policy support brought by the "One Belt, One Road" initiative, the Guangdong Free Trade Zone, and the reform of state-owned enterprises in Guangdong Province, will continue to catalyze great bay area thematic investment opportunities. We will, leveraging the regional advantages of the Guangdong-Hong Kong-Macau Greater Bay Area, expand for new territory to achieve accomplishment of one or two projects within the Guangdong-Hong Kong-Macau Greater Bay Area.

V. Actively explore the international market and create more business opportunities

We will aggressively expand the urban solid waste business in Southeast Asian countries and seize the strategic opportunities arising from China's "One Belt, One Road" initiative. The garbage problem is getting relatively serious in Southeast Asian countries with the rapidly growing economy and population in these countries. More than 50% of garbage are stacked at open areas, most of which are disposed without any treatment. As the international community is working hard to promote sustainability and the "3R" concept, developing countries in Southeast Asia have begun to realize the importance of resource recycling, but their solid waste industries are mostly in their infancies or initial stages. They have an urgent need to work together with key enterprises run by conglomerates with relevant management experience and technical equipment on project development. This has offered us a good business opportunity.

After the idea of "building a beautiful China" was proposed at the 18th Third Plenary Session, the importance of the environmental protection industry has become increasingly prominent. As the Chinese government is introducing more preferential policies for the urban water supply, sewage, solid waste and new energy sectors, a favourable situation has almost been created, where the Chinese government is stepping up supervision as well as improving policies and regulations, while investment and business development are growing. We will seize this rare opportunity firmly to further enhance and expand our own experiences and advantages in the area of operations management and expertise, go abroad following the "One Belt, One Road" initiative of the state, intensify the global business strategy, focus on acquisition and merge cases at home and abroad, extend our experience and expertise to the overseas markets, strive to grasp and create more business opportunities, and enhance efficiency in the management.

Lastly, I would like to take this opportunity to express my heartfelt gratitude, on behalf of the Board, to general investors for offering their tremendous support to the Group over the past one year, as well as to the management and all the staff for working hard and striving for success for the Group. We will remain committed to maintaining the Group's long-term growth and stable performance, and look forward to sharing the Group's achievements with you in the next challenging year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the full set of Model Code set out in Appendix 10 of the Listing Rules as the code of the conduct for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all directors, the Board confirmed that directors of the Company had complied with the Model Code regarding directors' securities transactions during the year and up to the date of announcement.

PURCHASES, REDEMPTIONS OR SALES OF COMPANY'S LISTED SECURITIES

There were no purchases, redemptions or sales of the Company's listed securities by the Company or any of its subsidiaries during FY2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the FY2017.

AUDIT COMMITTEE

The Audit Committee of the Company reviewed the annual results including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the audited financial statements for the FY2017. The Audit Committee comprises three members including Mr. Wong Siu Keung, Joe, Mr. Guo Chao Tian and Ms. Qiu Na.

SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Company's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited 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 Crowe Horwath (HK) CPA Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

A notice convening the AGM will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Publication of Annual Results and Annual Report

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.chinawaterind.com). The annual report will be dispatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to my fellow Directors, management and employees for their contributions and dedication to the development of the Group and deep thanks to our shareholders, customers, suppliers and business partners for their continued supports.

By order of the Board
China Water Industry Group Limited
Mr. Deng Jun Jie
Chairman and Executive Director

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises Mr. Deng Jun Jie (Chairman), Mr. Lin Yue Hui (CEO), Mr. Liu Feng, Ms. Chu Yin Yin, Georgiana and Ms. Deng Xiao Ting, all being executive Directors, and Mr. Wong Siu Keung, Joe, Mr. Guo Chao Tian and Ms. Qiu Na, all being independent non-executive Directors.

* *For identification purpose only*