The following is the text of a report set out on pages I-1 to I-91, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA BOQI ENVIRONMENTAL (HOLDING) CO., LTD. AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of China Boqi Environmental (Holding) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-91, which comprises the consolidated statements of financial position as at December 31, 2014, 2015 and 2016 and September 30, 2017, the statements of financial position of the Company as at December 31, 2015 and 2016 and September 30, 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended December 31, 2016 and the nine months ended September 30, 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-91 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated February 28, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on the Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2014, 2015 and 2016 and September 30, 2017, of the Company's financial position as at December 31, 2015 and 2016 and September 30, 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 34 to the Historical Financial Information which contains information about the dividends paid by the Company's subsidiaries and the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
February 28, 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Nine months ended September 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	1,238,759	1,351,416	1,352,955	914,217	798,452
Cost of sales and services		(1,038,654)	(1,105,660)	(1,099,309)	(733,046)	(581,656)
Gross profit		200,105	245,756	253,646	181,171	216,796
Other income and other gains and losses	7	(6,377)	(5,495)	28,397	3,103	7,776
Selling and distribution expenses		(8,266)	(11,376)	(15,859)	(9,117)	(12,387)
Administrative expenses		(58,276)	(62,889)	(72,376)	(49,557)	(58,606)
Share of profit of an associate	17	11,340	16,042	14,833	7,653	25,093
Finance costs	8	(8,810)	(7,087)	(6,043)	(4,215)	(4,679)
Change in fair value of convertible ordinary shares		—	—	—	—	(127,572)
Listing expenses		—	—	(9,141)	(2,992)	(10,227)
Profit before tax		129,716	174,951	193,457	126,046	36,194
Income tax expense	9	(25,751)	(36,781)	(41,416)	(34,461)	(26,448)
Profit for the year/period	10	103,965	138,170	152,041	91,585	9,746
Other comprehensive income (expense) for the year/period:						
Item that may be subsequently reclassified to profit or loss:						
Change in fair value of available-for-sale investments		2,906	2,240	(3,600)	14,400	18,000
Reclassification of realised gain in fair value of available-for-sale investments to profit or loss		(2,331)	—	—	—	—
Tax effect from change in fair value of available-for-sale investments		(143)	(336)	540	(2,160)	(2,700)
		432	1,904	(3,060)	12,240	15,300
Total comprehensive income for the year/period		104,397	140,074	148,981	103,825	25,046
Profit for the year/period attributable to:						
Owners of the Company		103,640	137,585	152,041	91,585	9,869
Non-controlling interests	33	325	585	—	—	(123)
		103,965	138,170	152,041	91,585	9,746
Total comprehensive income for the year/period attributable to:						
Owners of the Company		104,072	139,489	148,981	103,825	25,169
Non-controlling interests	33	325	585	—	—	(123)
		104,397	140,074	148,981	103,825	25,046
Earnings per share						
—Basic (RMB)	11	0.17	0.23	0.25	0.15	0.02
—Diluted (RMB)	11	N/A	N/A	0.25	0.15	0.02

STATEMENTS OF FINANCIAL POSITION

	Notes	The Group At December 31,			The Group At September 30,	The Company At December 31,		The Company At September 30,
		2014	2015	2016	2017	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets								
Property, plant and equipment	13	35,739	34,032	33,421	52,145	—	—	—
Investment properties	14	14,885	14,251	13,616	13,141	—	—	—
Intangible assets	15	285,727	328,764	415,603	426,613	—	—	—
Receivables under service concession arrangement—non-current	16	—	—	—	359,779	—	—	—
Investment in an associate	17	30,524	51,359	51,755	63,497	—	—	—
Investments in subsidiaries		—	—	—	—	—	1,082,859	1,082,859
Available-for-sale investment	18	3,360	5,600	2,000	20,000	—	—	—
Deposit paid for the acquisition of assets	39	—	—	136,000	—	—	—	—
Amounts due from related parties—non-current	39	18,644	18,644	18,472	158,014	—	—	—
Deferred tax assets	19	22,784	31,976	35,583	22,871	—	—	—
Total non-current assets		411,663	484,626	706,450	1,116,060	—	1,082,859	1,082,859
Current assets								
Receivable under service concession arrangement—current	16	—	—	—	15,682	—	—	—
Inventories	20	53,045	31,378	22,052	35,845	—	—	—
Amounts due from customers for contract work	21	203,538	176,064	117,978	104,766	—	—	—
Trade and notes receivables	22	609,436	636,890	732,991	642,572	—	—	—
Prepayments, deposits and other receivables	23	101,523	78,719	78,610	113,147	101	5,723	10,445
Amounts due from subsidiaries		—	—	—	—	—	24,711	25,650
Amounts due from related parties—current	39	59,518	24,631	43,831	102,341	—	2	—
Pledged bank deposits	24	177,626	208,701	291,603	39,008	—	—	—
Bank balances and cash	25	530,341	526,915	348,341	469,947	6,020	32,181	95,474
Total current assets		1,735,027	1,683,298	1,635,406	1,523,308	6,121	62,617	131,569
Current liabilities								
Trade and notes payables	26	656,566	734,103	693,739	613,336	—	1,839	1,839
Other payables, deposits received and accrued expenses	27	276,160	171,219	223,949	431,599	—	15,201	5,725
Amounts due to customers for contract work	21	17,563	23,692	16,261	31,199	—	—	—
Income tax payable		28,019	33,704	20,573	15,797	—	—	—
Other tax liabilities	28	8,723	30,384	26,802	20,399	—	—	—
Bank borrowings	29	45,000	20,000	296,254	20,000	—	176,254	—

STATEMENTS OF FINANCIAL POSITION—continued

	Notes	The Group At December 31, 2014	The Group At December 31, 2015	The Group At December 31, 2016	The Group At September 30, 2017	The Company At December 31, 2015	The Company At December 31, 2016	The Company At September 30, 2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties	39	15,948	8,284	133	2,840	6,494	—	—
Total current liabilities		1,047,979	1,021,386	1,277,711	1,135,170	6,494	193,294	7,564
Net current assets (liabilities)		687,048	661,912	357,695	388,138	(373)	(130,677)	124,005
Total assets less current liabilities		1,098,711	1,146,538	1,064,145	1,504,198	(373)	952,182	1,206,864
Non-current liabilities								
Bank borrowings	29	87,000	67,000	47,000	47,000	—	—	—
Class-B convertible ordinary shares	30	—	—	—	254,196	—	—	254,196
Class-C convertible ordinary shares	30	—	—	—	395,277	—	—	395,277
		87,000	67,000	47,000	696,473	—	—	649,473
Net assets (liabilities)		1,011,711	1,079,538	1,017,145	807,725	(373)	952,182	557,391
Capital and reserves								
Paid-in capital /share capital	32	371,500	371,500	42	32	—	42	32
Reserves		633,411	708,038	1,017,103	806,616	(373)	952,140	557,359
Equity attributable to owners of the Company		1,004,911	1,079,538	1,017,145	806,648	(373)	952,182	557,391
Non-controlling interests . . .	33	6,800	—	—	1,077	—	—	—
		1,011,711	1,079,538	1,017,145	807,725	(373)	952,182	557,391

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Paid-in capital/ share capital	Treasury shares	Merger reserve	Other reserve	Share premium reserve	Statutory surplus reserve	Retained profits	Investment revaluation reserve	Sub-total	Non-controlling interests	Total equity
	RMB'000 (note v)	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000 (note ii)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	371,500	—	—	1,005	54,915	83,579	389,460	380	900,839	6,475	907,314
Profit for the year	—	—	—	—	—	—	103,640	—	103,640	325	103,965
Other comprehensive income for the year, net of tax	—	—	—	—	—	—	—	432	432	—	432
Total comprehensive income for the year	—	—	—	—	—	—	103,640	432	104,072	325	104,397
Transfer to statutory surplus reserve	—	—	—	—	—	10,434	(10,434)	—	—	—	—
At December 31, 2014 (note v)	371,500	—	—	1,005	54,915	94,013	482,666	812	1,004,911	6,800	1,011,711
Profit for the year	—	—	—	—	—	—	137,585	—	137,585	585	138,170
Other comprehensive income for the year, net of tax	—	—	—	—	—	—	—	1,904	1,904	—	1,904
Total comprehensive income for the year	—	—	—	—	—	—	137,585	1,904	139,489	585	140,074
Transfer to statutory surplus reserve	—	—	—	—	—	26,814	(26,814)	—	—	—	—
Dividend distribution	—	—	—	—	—	—	(66,000)	—	(66,000)	(500)	(66,500)
Acquisition of non-controlling interests of a subsidiary	—	—	—	1,138	—	—	—	—	1,138	(6,885)	(5,747)
At December 31, 2015 (note v)	371,500	—	—	2,143	54,915	120,827	527,437	2,716	1,079,538	—	1,079,538

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the Company										
	Paid-in capital/ share capital	Treasury shares	Merger reserve	Other reserve	Share premium reserve	Statutory surplus reserve	Retained profits	Investment revaluation reserve	Sub-total	Non-controlling interests	Total equity
	RMB'000 (note v)	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000 (note ii)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	42	(2)	371,500	(128,167)	58,964	151,220	563,932	(344)	1,017,145	—	1,017,145
Profit for the period	—	—	—	—	—	—	9,869	—	9,869	(123)	9,746
Other comprehensive expense for the period, net of tax	—	—	—	—	—	—	—	15,300	15,300	—	15,300
Total comprehensive income for the period	—	—	—	—	—	—	9,869	15,300	25,169	(123)	25,046
Redesignation of Class A ordinary shares to Class B convertible ordinary shares (note vi)	(8)	—	—	—	(201,329)	—	—	—	(201,337)	—	(201,337)
Repurchase of Class A ordinary shares (note vii)	(2)	—	—	—	(40,103)	—	—	—	(40,105)	—	(40,105)
Share-based payment	—	—	—	—	5,776	—	—	—	5,776	—	5,776
Contribution from Non-controlling interests	—	—	—	—	—	—	—	—	—	1,200	1,200
At September 30, 2017	32	(2)	371,500	(128,167)	(176,692)	151,220	573,801	14,956	806,648	1,077	807,725

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the Company										
	Paid-in capital/ share capital	Treasury shares	Merger reserve	Other reserve	Share premium reserve	Statutory surplus reserve	Retained profits	Investment revaluation reserve	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)	(note v)		(note i)			(note ii)					
At January 1, 2016	371,500	—	—	2,143	54,915	120,827	527,437	2,716	1,079,538	—	1,079,538
Profit for the period	—	—	—	—	—	—	91,585	—	91,585	—	91,585
Other comprehensive expense for the period, net of tax	—	—	—	—	—	—	—	12,240	12,240	—	12,240
Total comprehensive income for the period	—	—	—	—	—	—	91,585	12,240	103,825	—	103,825
Cash received for ordinary shares issued upon reorganisation	40	—	—	—	—	—	—	—	40	—	40
Arising from the group reorganisation	(371,500)	—	371,500	—	—	—	—	—	—	—	—
Deemed distribution to a shareholder (note iii)	—	—	—	(130,310)	—	—	—	—	(130,310)	—	(130,310)
Issuance of share awards (note iv)	2	(2)	—	—	—	—	—	—	—	—	—
Share-based compensation expenses	—	—	—	—	1,172	—	—	—	1,172	—	1,172
Dividend distribution	—	—	—	—	—	—	(85,153)	—	(85,153)	—	(85,153)
At September 30, 2016	42	(2)	371,500	(128,167)	56,087	120,827	533,869	14,956	969,112	—	969,112

Notes:

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

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

(iii) Deemed distribution represents the payment to one of the shareholders, China Boqi Environmental Engineering Co., Ltd. ("Boqi Environmental Engineering"). The payment was made by using the loan borrowed from a PRC bank's oversea branch as disclosed in note 29.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

(v) The paid-in capital/ share capital of the Group as at December 31, 2014 and 2015 represents the paid-in capital of Beijing Shengyi and the total of the share capital of the Company and CBEE Holdings Co., Ltd. ("CBEE") respectively prior to the completion of the group's reorganisation.

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities					
Profit before tax	129,716	174,951	193,457	126,046	36,194
Adjustments for:					
Finance costs	8,810	7,087	6,043	4,215	4,679
Change in fair value of convertible ordinary shares	—	—	—	—	127,572
Share of profit of an associate	(11,340)	(16,042)	(14,833)	(7,653)	(25,093)
Interest income	(8,404)	(13,627)	(7,543)	(5,438)	(6,746)
Investment income from financial products	(2,331)	—	—	—	—
Profit from construction service under concession operation	(14)	(700)	(1,172)	(1,028)	(492)
Depreciation of property, plant and equipment	5,274	3,573	3,108	2,157	4,538
Depreciation of investment properties	634	634	635	476	475
Amortisation of intangible assets	28,389	27,998	31,638	23,494	25,799
Allowance for inventories	1,961	—	796	41	484
Allowance (reversal of allowance) for trade and notes receivables	19,034	24,606	(10,692)	(5,984)	(2,753)
Allowance (reversal of allowance) for other receivables	1,500	30	(133)	(800)	300
Loss (gain) on disposal of property, plant and equipment	127	235	67	49	(31)
Loss on disposal of intangible assets	121	2	—	—	—
Share-based payment	—	—	4,049	1,172	5,776
Foreign exchange losses	—	—	4,107	19,283	8,759
Operating cash flows before movements in working capital	173,477	208,747	209,527	156,030	179,461
Decrease (increase) in inventories	486	21,667	8,530	(47,408)	(14,277)
(Increase) decrease in amounts due from customers for contract work	(110,843)	27,474	58,086	584	13,212
(Increase) decrease in trade and notes receivables	(23,989)	(52,060)	(85,409)	9,269	93,172
Decrease (increase) in prepayments, deposits and other receivables	47,380	22,774	1,213	(24,085)	(27,326)
Decrease (increase) in amounts due from related parties	10,292	(24,631)	(17,835)	14,211	(59,311)
Increase (decrease) in trade and notes payables	108,559	77,537	(40,364)	(8,318)	(80,403)
Increase (decrease) in other payable, deposits received and accrued expenses	92,228	(104,941)	52,996	(39,293)	(22,786)
(Decrease) increase in amounts due to customers for contract work	(4,217)	6,129	(7,431)	(20,095)	14,938
(Decrease) increase in other tax liabilities	(3,557)	21,661	(3,582)	(23,686)	(6,403)
(Decrease) increase in amounts due to related parties	(17,577)	7,336	(8,401)	18,538	2,707
Cash generated from operations	272,239	211,693	167,330	35,747	92,984
Income taxes paid	(21,681)	(40,624)	(57,614)	(48,977)	(21,212)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	250,558	171,069	109,716	(13,230)	71,772

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from investing activities					
Placement of pledged bank deposits	(178,505)	(247,812)	(573,533)	(528,586)	(187,252)
Withdrawal of pledged bank deposits	196,575	216,737	490,631	447,120	439,847
Interest received	8,404	13,627	7,543	5,438	6,746
Dividend received from an associate	10,650	10,207	14,437	14,437	13,351
Redemption of available-for-sale investments	49,331	—	—	—	—
Purchase of property, plant and equipment	(22,752)	(2,101)	(2,643)	(1,217)	(23,661)
Proceeds from disposal of property, plant and equipment	54	—	79	51	430
Purchase of intangible assets and costs capitalised under service concession arrangements	(1,592)	(70,337)	(117,305)	(93,734)	(181,342)
Payment for investment in an associate	—	(15,000)	—	—	—
Deposit (paid)/refunded for the acquisition of assets	—	—	(136,000)	—	136,000
Advance to related parties	(1,607)	—	(1,365)	(146)	(139,945)
Repayment from related parties	—	59,518	172	168	1,203
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	60,558	(35,161)	(317,984)	(156,469)	65,377
Cash flows from financing activities					
Repayment of bank borrowings	(103,714)	(45,000)	(20,000)	(10,000)	(278,530)
New bank borrowings raised	30,000	—	269,766	169,766	—
Interest paid	(8,810)	(7,087)	(6,043)	(4,215)	(4,679)
Dividends paid	(10,031)	(66,500)	(85,153)	(85,153)	—
Repayment to related parties	—	(15,000)	—	—	—
Advance from related parties	15,000	—	—	—	—
Purchase of non-controlling interests	—	(5,747)	—	—	—
Contribution from non-controlling interests shareholder	—	—	—	—	1,200
Cash received from reorganisation	—	—	40	—	—
Deemed distribution to a shareholder	—	—	(130,310)	(130,310)	—
Cash received from convertible ordinary shares	—	—	—	—	280,459
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(77,555)	(139,334)	28,300	(59,912)	(1,550)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	233,561	(3,426)	(179,968)	(229,611)	135,599
Effects of exchange rate changes	—	—	1,394	454	(13,993)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	296,780	530,341	526,915	526,915	348,341
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	530,341	526,915	348,341	297,758	469,947

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company, formerly known as China Boqi Engineering Co., Ltd., was incorporated as an exempted company with limited liability in the Cayman Islands on January 30, 2015. The addresses of the registered office of the Company and principal place of business of the Company and its subsidiaries are disclosed in the section headed Corporate Information in the Prospectus. The Company changed its name from China Boqi Engineering Co., Ltd. to China Boqi Environmental (Holding) Co., Ltd. on March 2, 2016.

The Company is an investment holding company. The principal activities of the Group are providing independent flue gas treatment service and environmental protection solution service by various business models, including environmental protection facility engineering, operation and maintenance and concession operation. Historically and throughout the Track Record Period, the Group's operations were conducted by an existing group of entities headed by Beijing Shengyi, which has always been the holding company of all operating and non-operating subsidiaries. Prior to the set up and interspersing of the Company and CBEE as detailed below, the immediate holding company of Beijing Shengyi was Boqi Environmental Engineering, which does not form part of the Group.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRSs and the principle of merger accounting applicable for group reorganisation (details are set out below).

Group Reorganisation

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

Boqi Environmental Engineering was incorporated as an exempted company with limited liability in the Cayman Islands on March 29, 2012. Boqi Environmental Engineering was substantially controlled by Mr. Cheng Liquan Richard ("Mr. Cheng") and Mr. Zeng Zhijun ("Mr. Zeng"), who acted in concert and held equity interests in Boqi Environmental Engineering directly or indirectly through Eastasia Power Holding Ltd. and/or Best Dawn Limited ("Best Dawn") throughout the Track Record Period.

The principle steps of the Group Reorganisation are as follows:

(a) On January 30, 2015, Boqi Environmental Engineering acquired one share in the Company, representing the then entire issued share capital of the Company from the nominee company at a par value of US dollars ("US$") 1.00 (equivalent to RMB6.23).

(b) On October 20, 2015, the Company, Boqi Environmental Engineering and Beijing Shengyi entered into a share transfer agreement in relation to the acquisition of the entire equity interests in Beijing Shengyi by the Company from Boqi Environmental Engineering

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION—continued

Group Reorganisation—continued

for a consideration satisfied by the allotment and issuance of 18 ordinary shares of the Company to Boqi Environmental Engineering. The ordinary shares were issued on November 25, 2015. On January 22, 2016, Beijing Shengyi officially became the wholly-owned subsidiary of the Company and the Company became the holding company of the companies comprising the Group upon the completion of registration at Beijing Administration for Industry and Commerce Bureau ("Completion of Registration").

Basis of preparation of Historical Financial Information

Since Beijing Shengyi has always been the holding company of all of the Group's operating and non-operating subsidiaries and Boqi Environmental Engineering transferred entire ownership of Beijing Shengyi to the Company, through which the Company was interspersed as the holding company of Beijing Shengyi and its subsidiaries on January 22, 2016. Since then, the Company became the holding company of the companies comprising the Group (the "Consolidated Entities"). Therefore, the Group resulting from the above mentioned reorganisation is regarded as a continuing entity and the Historical Financial Information of the Group has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period regardless of the actual date of the Completion of Registration and when the Company legally became the holding company of the companies comprising the Group.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the Consolidated Entities as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation where is a shorter period.

The consolidated statements of financial position of the Group as at December 31, 2014, 2015, 2016 and September 30, 2017 have been prepared to present the assets and liabilities of the Consolidated Entities and the Company at the carrying amounts as if the current group structure had been in existence as at those dates taking into account the respective dates of incorporation, where applicable.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory audit requirements.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, amendments and the related Interpretations ("IFRICs") (herein collectively referred to as the "IFRSs"), which are effective for the accounting period beginning on January 1, 2017 throughout the Track Record Period.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs—continued

New and amendments to IFRSs in issue but not yet effective

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

IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers and the related amendments[1]
IFRS 16	Lease[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign currency transactions and advance consideration[1]
IFRIC 23	Uncertainty over income tax treatments[2]
Amendments to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 insurance contracts[1]
Amendments to IFRS 9	Prepayment Feature with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

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

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

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

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

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

IFRS 9 "Financial instruments"

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

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

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI).

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs—continued

IFRS 9 "Financial instruments"—continued

All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the analysis of the Group's financial assets and financial liabilities as at September 30, 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement

Listed shares classified as available-for-sale investments are measured at fair value as disclosed in note 18: these shares qualify for designation as measured at FVTOCI under IFRS 9 as the Group does not hold such shares for trading purpose; Upon the application of IFRS 9, the fair value gains or losses accumulated in the investment revaluation reserve, which is RMB 14,956,000, net of tax as at September 30, 2017 will no longer be subsequently reclassified to profit or loss. Based on the fair value of the investments as at September 30, 2017, such change is expected to result in lower profit or loss and higher other comprehensive income upon disposal in the future, but will have no impact on the total comprehensive income. Further, since both of the available-for-sale investments under IAS 39 and equity instruments designated at FVTOCI under IFRS 9 are measured at fair value, the application of IFRS 9 will not result in the change in carrying amount of the investments in consolidated financial position of the Group.

Convertible ordinary shares issued by the Group designated as at fair value through profit or loss (FVTPL) as disclosed in note 30: these financial liabilities qualify for designation as measured at FVTPL under IFRS 9; however, the amount of change in the fair value of the financial liability that is

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs—continued

IFRS 9 "Financial instruments"—continued

attributable to changes in the credit risk of that liability will be recognised in other comprehensive income with the remaining fair value change recognised in profit and loss. This is different from the current accounting treatment in terms of which the entire change in fair value of the financial liability is recognised in profit or loss. The change in fair value attributed to a change in credit risk of these financial liabilities would be recognised in other comprehensive income under IFRS 9. The Company does not expect the impact will be material.

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

Impairment

Financial assets measured at amortised cost and amounts due from customer for contract work (as disclosed in note 21, which will be treated as contract assets upon the adoption of IFRS 15) will be subject to the impairment provisions of IFRS 9.

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

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

IFRS 15 "Revenue from contracts with customers"

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

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

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs—continued

IFRS 15 "Revenue from contracts with customers"—continued

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

The Group recognises revenue from the following major sources:

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

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

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

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

IFRS 16 "Leases"

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs—continued

IFRS 16 "Leases"—continued

accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at September 30, 2017, the Group has non-cancellable operating lease commitments of RMB29,519,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognized over the lease term. The directors of the Company anticipate that the application of IFRS 16 would not have significant impact on the financial position and performance of the Group comparing with IAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Basis of consolidation—continued

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's consolidated statement of financial position at cost less accumulated impairment losses, if any.

Leasing

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

The Group as lessor

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

The Group as lessee

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Leasing—continued

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

Revenue recognition

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

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

Sale of goods

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

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

Construction contracts

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

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

Operation and Maintenance

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

Interest Income

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

Operating lease

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

Taxation

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Taxation—continued

future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Cash and cash equivalents

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

Pledged bank deposits

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Property, plant and equipment

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

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

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

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

Buildings under development for future owner-occupied purpose

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

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Investment in an associate

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Investment in an associate—continued

required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

Intangible assets

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

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

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

Impairment of tangible and intangible assets

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment of tangible and intangible assets—continued

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

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

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

Research and development costs

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

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

Service concession arrangements

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

Under these service concession arrangements,

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Service concession arrangements—continued

Consideration given to the Grantor

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

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

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

Construction and upgrade services

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

Operating service

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

Inventories

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

Government grants

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Government grants—continued

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

Employee benefits

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

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

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

Financial instruments

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

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

Financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial assets—continued

Effective interest method

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

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

AFS investments

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

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

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

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

Loans and receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial assets—continued

Impairment of financial assets

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Effective interest method

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

Financial liabilities

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

Financial liabilities at FVTPL

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial liabilities and equity instruments—continued

Financial liabilities at FVTPL—continued

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the other income and other gains and losses line item. Fair value is determined in the manner described in note 36.

Financial liabilities measured at amortised cost

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

Derecognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES—continued

Provisions

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

Borrowing costs

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

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

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 41.

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

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

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

- the grantors control or regulate the services the Group must provide with the infrastructure, to whom the Group must provide such services, and at prices agreed with the grantors;
- the grantors of the infrastructure controls, through ownership, any significant residual interest in the infrastructure at the end of the service concession agreement; and
- the grantors restrict the Group's practical ability to sell or pledge the infrastructure that give the Group continuing right of use throughout the period of the arrangements.

Key Sources of estimation uncertainly

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

<u>Construction contract</u>

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Construction contract—continued

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

Fair value of convertible ordinary shares

The convertible ordinary shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation technique. The directors of the Company have used market approach to determine the underlying equity value of the Company and adopted Monte-Carlo Simulation model to determine the fair value of the convertible ordinary shares. Key unobservable input, which is the market multiples — P/E ratio, is disclosed in note 30. Changes in assumptions about these factors could affect the estimated fair value of convertible ordinary shares.

Allowances for doubtful debts

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

Useful life and impairment of property, plant and equipment

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

6. REVENUE AND SEGMENT INFORMATION

Revenue is mainly generated from the flue gas desulfurisation and denitrification services through three different models, namely environmental protection facility engineering, operation and

6. REVENUE AND SEGMENT INFORMATION—continued

maintenance and concession operation. In addition, the Group also provides design service and sewage treatment, which are recorded in others. Revenue is recognised net of sales related taxes.

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

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

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

6. REVENUE AND SEGMENT INFORMATION—continued

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

	Segment revenue			Segment revenue		Segment profit			Segment profit	
	Year ended December 31,			Nine months ended September 30,		Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
EPC	781,149	816,294	764,233	472,278	260,863	44,836	50,630	114,641	76,379	23,577
O&M	256,499	249,503	221,367	161,957	295,321	69,215	93,397	50,897	46,927	103,160
Concession operation	172,275	248,711	316,256	237,960	221,222	75,516	82,513	77,501	48,204	78,968
Others	28,836	36,908	51,099	42,022	21,046	10,538	19,216	10,607	9,661	11,091
Total	1,238,759	1,351,416	1,352,955	914,217	798,452	200,105	245,756	253,646	181,171	216,796
Unallocated other income and gain and loss						(6,377)	(5,495)	28,397	3,103	7,776
Unallocated selling and distribution expenses						(8,266)	(11,376)	(15,859)	(9,117)	(12,387)
Unallocated administrative expenses						(58,276)	(62,889)	(72,376)	(49,557)	(58,606)
Unallocated share of profit of an associate						11,340	16,042	14,833	7,653	25,093
Unallocated finance costs						(8,810)	(7,087)	(6,043)	(4,215)	(4,679)
Unallocated Change in fair value of Class B and C convertible ordinary shares						—	—	—	—	(127,572)
Unallocated listing expense						—	—	(9,141)	(2,992)	(10,227)
Profit before taxation						129,716	174,951	193,457	126,046	36,194

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4.

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

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

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

6. REVENUE AND SEGMENT INFORMATION—continued

Major customers

Revenue from customers during the Track Record Period contributing over 10% of the total revenue of the Group are as follows:

		Year ended December 31,			Nine months ended September 30,	
		2014	2015	2016	2016	2017
	Segment	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A	EPC	226,839	*	*	*	*
Customer B	EPC & O&M	154,195	*	*	*	*
Customer C	EPC	*	168,222	*	*	*
Customer D	EPC	*	144,470	*	*	*
Customer E	Concession operation & O&M	*	141,023	*	*	*
Customer F	Concession operation & O&M	*	*	*	*	128,335
Customer G	EPC & O&M	*	*	*	118,326	*
Customer H	O&M	*	*	*	*	141,174
Customer I	Concession operation	*	*	*	105,447	*

Note:

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

Revenue from major products and services

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

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of equipment	406,190	546,025	426,323	229,539	136,333
Construction service	374,959	350,648	456,206	350,002	175,445
Operation and maintenance service	428,774	417,835	419,327	292,654	465,628
Others	28,836	36,908	51,099	42,022	21,046
	1,238,759	1,351,416	1,352,955	914,217	798,452

Geographical information

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

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	8,404	13,627	7,543	5,438	6,746
Government grants	3,120	2,257	10,138	6,112	4,441
Investment income from financial products	2,331	—	—	—	—
Rental income, net	662	641	947	577	761
(Allowance) reversal of allowance for trade and notes receivables	(19,034)	(24,606)	10,692	5,984	2,753
(Allowance) reversal of allowance for other receivables	(1,500)	(30)	133	800	(300)
Allowance for inventories	(1,961)	—	(796)	(41)	(484)
(Losses) gains on disposal of property, plant and equipment	(127)	(235)	(67)	(49)	31
Losses on disposal of intangible assets	(121)	(2)	—	—	—
Foreign exchange losses	—	—	(4,107)	(19,283)	(8,759)
Others	1,849	2,853	3,914	3,565	2,587
	(6,377)	(5,495)	28,397	3,103	7,776

8. FINANCE COSTS

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank borrowings	8,810	7,087	6,043	4,215	4,679

9. INCOME TAX EXPENSE

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC enterprise income tax ("EIT")	31,679	46,309	35,022	30,305	16,436
Withholding tax on dividend declared	—	—	9,461	9,461	—
Deferred tax (note 19)	(5,928)	(9,528)	(3,067)	(5,305)	10,012
Total	25,751	36,781	41,416	34,461	26,448

The Company and CBEE, the Company's subsidiary, were incorporated in the Cayman Islands and the British Virgin Islands ("BVI"), respectively. Both entities did not have tax assessable profit in Cayman Islands, BVI or other jurisdiction during the Track Record Period.

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

9. INCOME TAX EXPENSE—continued

In October 2015, Hejin Boqi Shanxi Environmental Technology Co., Ltd. (山西河津博奇環保科技有限公司) ("Hejin Boqi") obtained the approval for being eligible as the HNTE for the year ended December 31, 2015. Accordingly, its income tax rate for 2015 was 15% and the rate would be available for the consecutive three years to 2018. As represented by the directors of the Company, Hejin Boqi will re-apply for an additional three years provided its business operations continue to qualify for the new HNTE status.

Jiangxi Jinggangshan Boqi Environmental Technology Co., Ltd. (江西井岡山博奇環保科技有限公司) ("Jinggangshan Boqi") was entitled to a tax holiday of three-year full exemption on income tax from 2009 to 2011, followed by a three-year 50% reduction in income tax rate from 2012 to 2014 on income derived from the desulfurisation concession arrangement project from a PRC tax perspective. However, since January 1, 2015, Jinggangshan Boqi has no longer benefited from the 50% reduction in income tax and its applicable income tax rate was 25% for the year ended December 31, 2015. In November 2016, Jinggangshan Boqi obtained the approval for being eligible as the HNTE for the year ended December 31, 2016 which Jinggangshan Boqi was entitled to a preferential tax rate of 15% from 2016 to 2018. As represented by the directors of the Company, Jinggangshan Boqi will re-apply for an additional three years provided its business operations continue to qualify for the new HNTE status.

The applicable tax rate of other PRC subsidiaries of the Company was 25% during the Track Record Period.

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

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

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	129,716	174,951	193,457	126,046	36,194
Tax at applicable income tax rate of 25%	32,429	43,738	48,364	31,512	9,049
Tax deduction due to preferential tax rate	(6,022)	(17,019)	(22,471)	(12,605)	(18,948)
Tax effect of income not taxable for tax purpose	(1,745)	(2,493)	(2,369)	(1,148)	(4,076)
Tax effect of expenses that are not deductible for tax purpose	836	9,713	8,578	7,241	40,400
Utilisation of tax losses previously not recognised	—	—	(147)	—	(141)
Tax effect of tax losses not recognised	253	2,842	—	—	164
Withholding income tax from dividend distribution	—	—	9,461	9,461	—
Tax charge for the year/period	25,751	36,781	41,416	34,461	26,448

10. PROFIT FOR THE YEAR/PERIOD

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period has been arrived at after charging (crediting):					
Staff costs, including directors' remuneration set out in note 12					
Directors' remuneration	1,794	1,802	1,806	1,356	1,362
Salaries and other benefits	68,651	89,220	105,999	68,525	79,293
Contributions to retirement benefits scheme	5,574	8,728	10,779	7,891	9,034
Share-based payment expenses	—	—	4,049	1,172	5,776
Total staff costs	76,019	99,750	122,633	78,944	95,465
Gross rental income from investment properties	(1,529)	(1,528)	(1,834)	(1,266)	(1,303)
Less: Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year/period (included in other income and other gains and losses)	867	887	887	689	542
	(662)	(641)	(947)	(577)	(761)
Cost of inventories recognised as expenses (included in cost of sales and services)	569,288	592,430	429,621	261,341	152,433
Depreciation of property, plant and equipment	5,274	3,573	3,108	2,157	4,538
Depreciation of investment properties	634	634	635	476	475
Amortisation of intangible assets	28,389	27,998	31,638	23,494	25,799
Research and development expenses	1,824	5,465	3,927	2,759	4,656
Auditor's remuneration	712	712	3,536	1,270	3,965

11. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings:					
Earnings for the purpose of calculating earnings per share (profit for the year/period attributable to owners of the Company)— basic and diluted	103,640	137,585	152,041	91,585	9,746
Number of shares:					
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	600,000,000	600,000,000	600,000,000	600,000,000	454,846,029
Effect of dilutive potential ordinary shares:					
Shares issued by the Company under the Pre-IPO Share Award Scheme	—	—	—	23,170	2,516,492
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	600,000,000	600,000,000	600,000,000	600,023,170	457,362,521

The calculation of basic earnings per share for the Track Record Period was based on the profit for the year/period attributable to the owners of the Company and the number of 600,000,000 ordinary shares, which had been adjusted retrospectively for the effect of bonus element of additional shares issued and the share split as set out in note 32 as if the bonus issue and the share split had been effective on January 1 , 2014.

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

The computation of diluted earnings per share for the nine months ended September 30, 2016 (unaudited) and 2017 has considered the effect of the shares issued under the Pre-IPO Share Award Scheme.

The computation of diluted earnings per share for the nine months ended September 30, 2017 does not assume the conversion of the Class B and C convertible ordinary shares issued by the Company in 2017 since their assumed exercise would result in an increase in earnings per share.

No diluted earnings per share were presented as there were no potential ordinary shares in issue for the year ended December 31, 2014 and 2015.

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

Directors and chief executives

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

Details of the emoluments paid to the directors of the Company and the Chief Executive Officer of the Company (including emoluments for their services as managerial level employees of group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

For the year ended December 31, 2014:

	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Cheng	—	850	47	897
Mr. Zeng	—	850	47	897
	—	1,700	94	1,794

For the year ended December 31, 2015:

	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Cheng	—	850	51	901
Mr. Zeng	—	850	51	901
Non-executive Director:				
Mr. Tony Tuo Zheng (note i)	—	—	—	—
	—	1,700	102	1,802

For the year ended December 31, 2016:

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

12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS—continued

Directors and chief executives—continued

For the nine months ended September 30, 2016 (unaudited):

	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Cheng	—	638	40	678
Mr. Zeng	—	638	40	678
Non-executive Director:				
Mr. Tony Tuo Zheng (note i)	—	—	—	—
	—	1,276	80	1,356

For the nine months ended September 30, 2017:

	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Cheng	—	638	43	681
Mr. Zeng	—	638	43	681
Non-executive Directors:				
Mr. Tony Tuo Zheng (note i)	—	—	—	—
Mr. Zhu Weihang (note ii)	—	—	—	—
Mr. Chen Xue (note iii)	—	—	—	—
	—	1,276	86	1,362

Notes:

(i) Mr. Tony Tuo Zheng was appointed as non-executive director of the Company on January 30, 2015

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

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

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

12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS—continued

Employees

The five highest paid individuals of the Group included two directors for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 (unaudited) and 2017, whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 (unaudited) and 2017 are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	1,560	1,560	1,560	1,170	1,170
Retirement benefit scheme contributions	47	51	53	40	43
Share-based payments	—	—	472	141	673
	1,607	1,611	2,085	1,351	1,886

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

	Number of employees Year ended December 31,			Number of employees Nine months ended September 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
Nil to HKD1,000,000	3	3	3	5	5
HKD1,000,001 to HKD1,500,000	2	2	2	—	—
	5	5	5	5	5

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company or the top five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Track Record Period.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Leasehold improvements	Motor vehicles	Fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2014	7,718	3,616	18,178	13,043	859	43,414
Additions	20,991	—	509	1,252	—	22,752
Disposals	—	(66)	(481)	(2,629)	—	(3,176)
At December 31, 2014	28,709	3,550	18,206	11,666	859	62,990
Additions	—	213	681	722	485	2,101
Disposals	—	—	(1,490)	(1,415)	—	(2,905)
At December 31, 2015	28,709	3,763	17,397	10,973	1,344	62,186
Additions	—	—	1,945	698	—	2,643
Transfer	—	—	—	1,344	(1,344)	—
Disposals	—	—	(1,769)	(1,195)	—	(2,964)
At December 31, 2016	28,709	3,763	17,573	11,820	—	61,865
Additions	—	244	3,549	1,033	18,835	23,661
Transfer	—	—	—	15,833	(15,833)	—
Disposals	—	—	(3,635)	(661)	—	(4,296)
At September 30, 2017	28,709	4,007	17,487	28,025	3,002	81,230
ACCUMULATED DEPRECIATION						
At January 1, 2014	(373)	(1,509)	(12,799)	(10,291)	—	(24,972)
Charge for the year	(809)	(1,472)	(1,411)	(1,582)	—	(5,274)
Elimination on disposals	—	50	457	2,488	—	2,995
At December 31, 2014	(1,182)	(2,931)	(13,753)	(9,385)	—	(27,251)
Charge for the year	(901)	(685)	(1,296)	(690)	—	(3,573)
Elimination on disposals	—	—	1,366	1,303	—	2,670
At December 31, 2015	(2,083)	(3,616)	(13,683)	(8,772)	—	(28,154)
Charge for the year	(907)	(88)	(1,161)	(952)	—	(3,108)
Elimination on disposals	—	—	1,680	1,138	—	2,818
At December 31, 2016	(2,990)	(3,704)	(13,164)	(8,586)	—	(28,444)
Charge for the period	(676)	(89)	(2,072)	(1,701)	—	(4,538)
Elimination on disposals	—	—	3,303	594	—	3,897
At September 30, 2017	(3,666)	(3,793)	(11,933)	(9,693)	—	(29,085)
CARRYING VALUES						
At December 31, 2014	27,527	619	4,453	2,281	859	35,739
At December 31, 2015	26,626	147	3,714	2,201	1,344	34,032
At December 31, 2016	25,719	59	4,409	3,234	—	33,421
At September 30, 2017	25,043	214	5,554	18,332	3,002	52,145

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

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

14. INVESTMENT PROPERTIES

	RMB'000
COST	
At January 1, 2014, December 31, 2014, December 31, 2015 December 31, 2016 and September 30, 2017	20,871
ACCUMULATED DEPRECIATION	
At January 1, 2014	(5,352)
Provided for the year	(634)
At December 31, 2014	(5,986)
Provided for the year	(634)
At December 31, 2015	(6,620)
Provided for the year	(635)
At December 31, 2016	(7,255)
Provided for the period	(475)
At September 30, 2017	(7,730)
CARRYING VALUES	
At December 31, 2014	14,885
At December 31, 2015	14,251
At December 31, 2016	13,616
At September 30, 2017	13,141

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

The fair value of the Group's investment properties as at December 31, 2014, 2015, 2016 and September 30, 2017 was RMB44,618,000, RMB54,268,000, RMB61,049,000 and RMB64,171,000 respectively which was determined by the directors of the Company by using direct comparison method based on observable market transaction prices of properties in similar locations. The fair value hierarchy is level 2 as at December 31, 2014, 2015, 2016 and September 30, 2017.

15. INTANGIBLE ASSETS

	Software	Patents and trademarks	Service concession arrangements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1, 2014	12,614	29,022	354,166	395,802
Additions	198	—	1,408	1,606
Disposals	(281)	—	—	(281)
At December 31, 2014	12,531	29,022	355,574	397,127
Additions	238	52	70,747	71,037
Disposals	(211)	(300)	—	(511)
At December 31, 2015	12,558	28,774	426,321	467,653
Additions	137	—	118,340	118,477
At December 31, 2016	12,695	28,774	544,661	586,130
Additions	—	—	36,809	36,809
At September 30, 2017	12,695	28,774	581,470	622,939
ACCUMULATED AMORTISATION				
At January 1, 2014	(10,643)	(22,415)	(50,113)	(83,171)
Charge for the year	(824)	(1,381)	(26,184)	(28,389)
Elimination on disposals	160	—	—	160
At December 31, 2014	(11,307)	(23,796)	(76,297)	(111,400)
Charge for the year	(372)	(1,400)	(26,226)	(27,998)
Elimination on disposals	209	300	—	509
At December 31, 2015	(11,470)	(24,896)	(102,523)	(138,889)
Charge for the year	(376)	(1,406)	(29,856)	(31,638)
At December 31, 2016	(11,846)	(26,302)	(132,379)	(170,527)
Charge for the period	(250)	(877)	(24,672)	(25,799)
At September 30, 2017	(12,096)	(27,179)	(157,051)	(196,326)
CARRYING VALUES				
At December 31, 2014	1,224	5,226	279,277	285,727
At December 31, 2015	1,088	3,878	323,798	328,764
At December 31, 2016	849	2,472	412,282	415,603
At September 30, 2017	599	1,595	424,419	426,613

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

15. INTANGIBLE ASSETS—continued

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

Software	5 years
Patents and trademarks	5 years - 15 years

16. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

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

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

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

	At September 30, 2017
	RMB'000
Current portion	15,682
Non-current portion	359,779
	375,461
Expected collection schedule is analysed as follows:	
Within one year	15,682
More than one year, but not exceeding two years	16,681
More than two years but not more than five years	56,694
More than five years	286,404
	375,461

The Group estimated the fair value of the receivable under service concession arrangement based on the present value of the estimated annual minimum service charge in the Service Concession

16. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT—continued

Period by applying an effective interest rate of 6.37% which is considered by reference to the market interest rate and the credit risk of the grantor.

Given that the grantor under the service concessions arrangement is a state owned power plant in which the default risk is generally perceived to be low, the directors of the Company consider that there was no objective evidence of impairment as at September 30, 2017. As such, there was no impairment in the Group's receivables under service concessions arrangements provided as at September 30, 2017. While the directors of the Company consider the credit risk is minimal, the collection of receivables under services concession arrangements is closely monitored by the directors of the Company in order to minimise any credit risk associated with the receivables.

17. INVESTMENT IN AN ASSOCIATE

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in an associate	18,000	33,000	33,000	33,000
Share of profit of an associate, net of dividend received	12,524	18,359	18,755	30,497
	30,524	51,359	51,755	63,497

As at December 31, 2014, 2015 and 2016 and September 30, 2017, the Group had interests in the following associate:

Name of entity	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group At December 31, 2014	2015	2016	At September 30, 2017	Principal activity
				Directly	Directly	Directly	Directly	
Han Chuan Long Yuan BoQi Environmental Technology Co., Ltd. ("Han Chuan Long Yuan") 漢川龍源博奇環保科技有限公司	PRC	PRC	Ordinary	30%	30%	30%	30%	Design, installation, operation and maintenance of EPC

The associate is accounted for using the equity method in the Historical Financial Information. In March 2015, the Group made a further capital injection of RMB15,000,000 to Han Chuan Long Yuan, together with other shareholders. The shareholding of the Group after the capital injection remained unchanged. The summarised financial information in respect of Han Chuan Long Yuan is set out below:

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	459,564	444,965	475,275	494,652
Total liabilities	(357,819)	(273,768)	(302,759)	(282,994)
Net assets	101,745	171,197	172,516	211,658

17. INVESTMENT IN AN ASSOCIATE—continued

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	118,979	135,034	130,448	78,194	159,406
Profit and total comprehensive income for the year/period	37,801	53,472	50,650	25,511	83,642

18. AVAILABLE-FOR-SALE INVESTMENT

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investment at fair value—non-current	3,360	5,600	2,000	20,000
AFS investment total	3,360	5,600	2,000	20,000

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

Before August 19, 2014, the Group held 6.66% equity interest in Wuhan BOCH and measured the investment at cost less impairment since the Group did not have the ability to exercise significant influence over Wuhan BOCH and the directors of the Company are of the opinion that its fair value cannot be measured reliably.

On August 19, 2014, the shares of Wuhan BOCH started to be traded on National Equities Exchange and Quotations ("NEEQ"), since when the Group's equity interest in Wuhan BOCH are measured at fair value.

In August 2015, Wuhan BOCH received a further capital injection of RMB5,000,000 from other shareholders. The Group did not participate in the capital injection, due to which the equity interest decreased from 6.66% to 5.71%.

19. DEFERRED TAX ASSETS

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

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	22,784	31,976	35,583	22,871

19. DEFERRED TAX ASSETS—continued

The following are the major deferred tax assets and deferred tax liabilities recognised and movement thereon during the Track Record Period:

	Allowance for doubtful debts and inventories	Change in fair value of available for sale investment	Provision for expected loss on construction contracts	Accrued expenses	Tax losses	Patent	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	3,383	—	8,200	4,397	1,019	—	16,999
Credited (charged) to profit or loss	3,369	—	2,321	1,257	(1,019)	—	5,928
Charged to other comprehensive income	—	(143)	—	—	—	—	(143)
At December 31, 2014	6,752	(143)	10,521	5,654	—	—	22,784
Credited (charged) to profit or loss	3,304	—	(827)	7,051	—	—	9,528
Charged to other comprehensive income	—	(336)	—	—	—	—	(336)
At December 31, 2015	10,056	(479)	9,694	12,705	—	—	31,976
(Charged) credited to profit and loss	(2,730)	—	(1,479)	4,396		2,880	3,067
Credited to other comprehensive income	—	540	—	—	—	—	540
At December 31, 2016	7,326	61	8,215	17,101	—	2,880	35,583
Charged to profit and loss	(372)	—	(1,492)	(7,987)	—	(161)	(10,012)
Credited to other comprehensive income	—	(2,700)	—	—	—	—	(2,700)
At September 30, 2017	6,954	(2,639)	6,723	9,114	—	2,719	22,871

As at December 31, 2014, 2015, 2016 and September 30, 2017, the Group has unused tax loss of RMB5,827,000, RMB17,193,000, RMB12,001,000 and RMB12,093,000 respectively, available for offset against future profits for the consecutive five years and will expire between 2019 and 2022. No deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future tax profit streams.

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

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, except for the dividend declared in 2016 as described in note 34 which was a one-time event in relation to the Group Reorganisation.

20. INVENTORIES

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Equipments, supplies and spare parts	55,006	33,339	23,195	37,412
Allowance for inventories	(1,961)	(1,961)	(1,143)	(1,567)
	53,045	31,378	22,052	35,845

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

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Contracts in progress at the end of reporting period				
Contract costs incurred plus recognised profits less recognised losses to date	513,193	449,161	237,677	446,124
Less: progress billings	(327,218)	(296,789)	(135,960)	(372,557)
	185,975	152,372	101,717	73,567
Recognised and included in the Historical Financial Information as amounts due:				
— from customers for contract work	203,538	176,064	117,978	104,766
— to customers for contract work	(17,563)	(23,692)	(16,261)	(31,199)
	185,975	152,372	101,717	73,567

22. TRADE AND NOTES RECEIVABLES

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	489,411	559,477	687,595	656,308
Notes receivables	168,000	143,770	94,685	31,900
Less: Allowance for doubtful debts	(47,975)	(66,357)	(49,289)	(45,636)
	609,436	636,890	732,991	642,572

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

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

22. TRADE AND NOTES RECEIVABLES—continued

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

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

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 90 days	294,304	339,229	408,167	183,753
91 - 180 days	121,572	136,183	119,165	70,613
181 - 365 days	43,425	31,024	89,131	223,814
1 - 2 years	113,445	64,741	83,495	133,438
2 - 3 years	30,448	29,106	13,661	15,208
Over 3 years	6,242	36,607	19,372	15,746
	609,436	636,890	732,991	642,572

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

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

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 90 days	23,607	71,508	18,317	53,760
91 - 180 days	22,431	12,599	66,379	25,729
181 - 365 days	94,199	48,037	36,278	219,829
1 - 2 years	17,711	42,318	63,892	104,335
2 - 3 years	28,519	16,360	10,481	20,478
Over 3 years	1,674	1,719	14,424	11,830
	188,141	192,541	209,771	435,961

Included in trade receivables of the Group are the retention receivables of RMB166,536,000, RMB225,537,000, RMB223,160,000 and RMB209,052,000 as at December 31, 2014, 2015 and 2016 and September 30, 2017, respectively, which were held by customers under construction contracts. The Group generally provide their customers with one-year warranty period. The warranty period may be extended in respect of certain projects. Upon the expiration of retention period, if the relevant environmental protection facility engineering have met the requirements in the contract, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

22. TRADE AND NOTES RECEIVABLES—continued

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

The Company did not have any trade receivables that were past due but not impaired or retention receivables included in trade receivables at the end of each reporting period.

Movements in the allowance for doubtful debts are as follows:

	Year ended December 31,			Nine months ended September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the period	30,010	47,975	66,357	49,289
Recoveries of debts previously written off	—	—	—	1,800
Provided for (reversal of) allowance	19,034	24,606	(10,692)	(2,753)
Amounts written off as uncollectable	(1,069)	(6,224)	(6,376)	(2,700)
At end of the period	47,975	66,357	49,289	45,636

Allowance for doubtful debts included individually impaired trade receivables with an aggregate gross principal balance of RMB124,103,000, RMB248,125,000, RMB403,545,000 and RMB366,739,000 as at December 31, 2014, 2015 and 2016 and September 30, 2017, respectively, which were either under dispute with the customers or the customers are in financial difficulties. The Group does not hold any collateral over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Project bidding and other deposits	36,763	35,682	43,981	39,724
Prepayments for project construction cost and project equipment purchase	29,381	21,696	8,532	48,953
Prepaid construction outsourcing fee	23,453	11,127	10,268	10,345
Prepaid tax	5,832	7,373	11,161	6,452
Deferred listing cost	—	—	2,798	5,765
Others	7,594	4,341	2,570	2,908
	103,023	80,219	79,310	114,147
Less: impairment losses on other receivables	(1,500)	(1,500)	(700)	(1,000)
	101,523	78,719	78,610	113,147

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES—continued

Movements in the allowance for doubtful debts are as follows:

	Year ended December 31,			Nine months ended September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
At beginning of the year/period	29	1,500	1,500	700
Provided for (reversal of) allowance	1,500	30	(133)	300
Amounts written off as uncollectable	(29)	(30)	(667)	—
At end of the year/period	1,500	1,500	700	1,000

	At December 31,		At September 30,
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
The Company			
Prepayments for project construction cost and project equipment purchase	101	2,549	4,680
Deferred listing cost	—	2,798	5,765
Others	—	376	—
	101	5,723	10,445

24. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure 1) a back to back guarantee provided by a bank in PRC in respect of an oversea bank borrowing of Boqi Environmental Engineering as at December 31, 2014 and 2015 and of the Company as at December 31, 2016 and 2) other short-term bank borrowings, letter of credits and facilities of the Group as at December 31, 2014, 2015 and 2016 and September 30, 2017. The pledged bank deposits will be released upon the settlement of relevant bank borrowings or the expiration of letter of credits and banking facilities.

Pledged bank deposits of the Group carrying interest at market rates which range from 0.35% to 3.0%, 0.35% to 2.75%, 0.35% to 4.0% and 0.38% to 4.0% as at December 31, 2014, 2015 and 2016 and September 30, 2017 respectively.

25. BANK BALANCES AND CASH

Bank balances and cash of the Group comprises cash held by the Group and bank balances that bear interest at prevailing market rates, per annum, ranging from 0.35% to 3.0% as at December 31, 2014, 0.01% to 2.75% as at December 31, 2015, 0.0001% to 2.14% as at December 31, 2016, and 0.0001% to 1.75% as at September 30, 2017, with an original maturity of three months or less.

Bank balances and cash of the Company comprises cash held by the Company and bank balances that bear interest at prevailing market rates, per annum, of 0.01% as at December 31, 2015, 0.0001% to 0.45% as at December 31, 2016, and 0.0001% to 0.45% as at September 30, 2017 with an original maturity of three months or less.

26. TRADE AND NOTES PAYABLES

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Trade payables	651,208	678,301	640,820	567,024
Notes payables	5,358	55,802	52,919	46,312
Total	656,566	734,103	693,739	613,336

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

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 90 days	287,987	271,750	227,180	149,985
90 - 180 days	55,221	121,505	116,342	81,250
180 days - 1 year	30,224	83,149	105,726	98,017
1 - 2 years	114,443	119,771	110,708	126,575
2 - 3 years	66,800	52,498	46,794	57,960
Over 3 years	101,891	85,430	86,989	99,549
	656,566	734,103	693,739	613,336
The Company				
Trade payables		—	1,839	1,839
		—	1,839	1,839

The aging of the trade payables of the Company is 90 - 180 days and 1 - 2 years as at December 31, 2016 and September 30, 2017, respectively.

27. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Advance from customer	171,034	46,899	68,991	106,677
Accrued expenses	9,660	21,326	58,142	34,300
Accrued liabilities (note)	58,487	52,968	43,111	33,162
Accrued payroll and welfare	24,153	22,789	31,586	22,369
Payable for obtaining service concession arrangement	—	—	—	217,536
Others	12,826	27,237	22,119	17,555
	276,160	171,219	223,949	431,599

27. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES—continued

Details of the movement of the accrued liabilities are as follows:

	RMB'000
At January 1, 2014	43,017
Utilised for the year	(14,200)
Provided for the year	29,670
At December 31, 2014	58,487
Utilised for the year	(8,619)
Provided for the year	3,100
At December 31, 2015	52,968
Utilised for the year	(28,320)
Provided for the year	18,463
At December 31, 2016	43,111
Utilised for the period	(14,303)
Provided for the period	4,354
At September 30, 2017	33,162

Note: Accrued liabilities mainly represents the expected loss recorded when it is probable that total contract costs will exceed total contract revenue.

	At December 31,		At September 30,
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
The Company			
Accrued payroll and welfare	—	5,035	—
Others	—	10,166	5,725
	—	15,201	5,725

28. OTHER TAX LIABILITIES

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Value added tax	5,968	26,538	23,966	19,441
Business tax	417	227	—	—
Other taxes	2,338	3,619	2,836	958
	8,723	30,384	26,802	20,399

29. BANK BORROWINGS

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Analysed as:				
Secured bank borrowings carry interest at variable rates	34,000	29,000	195,254	19,000
Unsecured bank borrowings carry interest at variable rates	98,000	58,000	148,000	48,000
	132,000	87,000	343,254	67,000
Carrying amount repayable:				
Within one year	45,000	20,000	296,254	20,000
More than one year, but not exceeding two years	20,000	20,000	20,000	20,000
More than two years but not more than five years	55,000	47,000	27,000	27,000
More than five years	12,000	—	—	—
	132,000	87,000	343,254	67,000
Less: Amounts due within one year shown under current liabilities	45,000	20,000	296,254	20,000
Amounts shown under non-current liabilities	87,000	67,000	47,000	47,000

The Company

	At December 31,		At September 30,
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Analysed as:			
Secured bank borrowing carry interest at variable rates	—	176,254	—
Carrying amount repayable:			
Within one year	—	176,254	—

The amounts due are based on scheduled repayment dates set out in the borrowing agreements. As at the end of each reporting period, no bank borrowings contained any repayment on demand clause.

Interests on bank borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China. The effective interest rate bank borrowings are charged at the prevailing market rates ranging from 5.54% to 6.30% per annum as at December 31, 2014, from 4.41% to 5.88% per annum as at December 31, 2015 and from 1.66% to 4.57% per annum as at December 31, 2016, and from 1.66% to 4.57% per annum as at September 30, 2017 respectively.

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

As at December 31, 2014, 2015, 2016 and September 30, 2017, bank borrowings of approximately RMB34,000,000, RMB29,000,000, RMB195,254,000 and RMB19,000,000 were secured by the pledge of bank deposit, or the right to the future income stream or the pledge of the

29. BANK BORROWINGS—continued

concession arrangements for borrowings used in Jinggangshan Boqi's service concession arrangements.

As at December 31, 2014, 2015 and 2016 and September 30, 2017, all of the aforesaid bank borrowings of the Group are unguaranteed by any company or individual, except for the bank borrowing denominated in JPY from a PRC bank's oversea branch as of December 31, 2016, which is guaranteed by another PRC bank while the Group pledged certain bank deposits to the bank providing guarantee.

30. CONVERTIBLE ORDINARY SHARES

	At January 1, 2017	Redesignation	Issuance	Change in fair value	At September 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group and the Company					
Redesignation of Class A ordinary shares ("Class A Shares") to Class B convertible ordinary shares ("Class B Shares") (note (i))	—	201,337	—	52,859	254,196
Class B Shares	—	201,337	—	52,859	254,196
Class C-1 convertible ordinary shares ("Class C-1 Shares") (note (ii))	—	—	44,820	11,252	56,072
Class C-2 convertible ordinary shares ("Class C-2 Shares") (note (iii))	—	—	179,279	45,011	224,290
Class C-3 convertible ordinary shares ("Class C-3 Shares") (note (iv))	—	40,105	56,360	18,450	114,915
Class C convertible ordinary shares ("Class C Shares")	—	40,105	280,459	74,713	395,277

Notes:

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

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

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

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

30. CONVERTIBLE ORDINARY SHARES—continued

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

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

(a) Dividends Rights

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

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

The sequence of dividends right of all series of convertible ordinary shares is as follows:

Class C Shares—6% of issue price

Class B Shares—Pro Rata Dividend

(b) Liquidation Preferences

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

For any remaining assets or funds after the Class C distribution, they shall be distributed ratably among all shareholders (including Class C holders) based on the relative number of shares held on as-converted basis.

The sequence of liquidation right of all series of convertible ordinary shares is as follows:

Class C Shares—10% of issue price per annum plus unpaid dividends

Class B Shares—Pro Rata Dividend

(c) Conversion Rights

Conversion Ratio

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

Optional Conversion

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

30. CONVERTIBLE ORDINARY SHARES—continued

(c) Conversion Rights—continued

Automatic Conversion

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

Adjustment of the Conversion Price

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

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

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

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

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

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

The directors of the Company have used market approach to determine the underlying equity value of the Company and the fair value of the convertible ordinary shares by referencing to a

30. CONVERTIBLE ORDINARY SHARES—continued

(c) Conversion Rights—continued

valuation carried out by GW Financial Advisory Services Ltd., an independent qualified professional valuer not connected with the Group, which is located on 25/F Room 2504, Lippo Centre Tower One, 89 Queensway, Admiralty, Hong Kong.

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

	Issuance date	September 30, 2017
Market Multiple—P/E ratio	14.98-15.09	14.76

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

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

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

The Group

			Non-cash changes			
	01/01/2014 RMB'000	Financing cash flows[i] RMB'000	Exchange effect	Fair value adjustments RMB'000	Other changes[ii]	31/12/2014 RMB'000
Bank borrowings (Note 29)	205,714	(82,524)	—	—	8,810	132,000
Amounts due to related parties	—	15,000	—	—	—	15,000
Dividend payable	—	(10,031)	—	—	10,031	—
	205,714	(77,555)	—	—	18,841	147,000

			Non-cash changes			
	01/01/2015 RMB'000	Financing cash flows[i] RMB'000	Exchange effect	Fair value adjustments RMB'000	Other changes[ii]	31/12/2015 RMB'000
Bank borrowings (Note 29)	132,000	(52,087)	—	—	7,087	87,000
Amounts due to related parties	15,000	(15,000)	—	—	—	—
Dividend payable	—	(66,500)	—	—	66,500	—
	147,000	(133,587)	—	—	73,587	87,000

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES —continued

The Group—continued

	01/01/2016 RMB'000	Financing cash flows(i) RMB'000	Non-cash changes: Exchange effect	Non-cash changes: Fair value adjustments RMB'000	Non-cash changes: Other changes(ii)	31/12/2016 RMB'000
Bank borrowings (Note 29)	87,000	243,723	6,488	—	6,043	343,254
Dividend payable	—	(85,153)	—	—	85,153	—
	87,000	158,578	6,488	—	91,196	343,254

(unaudited)	01/01/2016 (unaudited) RMB'000	Financing cash flows(i) RMB'000	Non-cash changes: Exchange effect RMB'000	Non-cash changes: Fair value adjustments RMB'000	Non-cash changes: Other changes(ii)	30/09/2016 (unaudited) RMB'000
Bank borrowings (Note 29)	87,000	155,551	19,490	—	4,215	266,256
Dividend payable	—	(85,153)	—	—	85,153	—
	87,000	70,398	19,490	—	89,368	266,256

	01/01/2017 RMB'000	Financing cash flows(i) RMB'000	Non-cash changes: Redesignation RMB'000	Non-cash changes: Exchange effect	Non-cash changes: Fair value adjustments RMB'000	Non-cash changes: Other changes(ii)	30/09/2017 RMB'000
Bank borrowings (Note 29)	343,254	(283,209)	—	2,276	—	4,679	67,000
Convertible ordinary shares	—	280,459	241,442	—	127,572	—	649,473
	343,254	(2,750)	241,442	2,276	127,572	4,679	716,473

Notes:

(i) The cash flow from bank borrowings, amounts due to related parties and convertible ordinary shares make up the net amount of proceeds from borrowings and repayment of borrowings and issuance of convertible ordinary shares in the statements of cash flows.

(ii) Other changes include interest accruals and dividend declared.

32. PAID-IN CAPITAL/SHARE CAPITAL

The Group

For the purpose of the presentation of the consolidated statements of financial position, the paid-in capital/ share capital of the Group represents the paid-in capital of Beijing Shengyi as at December 31, 2014, the paid-in capital of Beijing Shengyi and the total of share capital of the Company and CBEE as at December 31, 2015 prior to the completion of the Group Reorganisation, the share capital of the Company as at December 31, 2016 and September 30, 2017.

The Company

Details of the movements of share capital of the Company are as follows:

	Number of shares	Nominal value per share US$	Share capital US$
Authorised			
At January 30, 2015 (date of incorporation)	50,000	1	50,000
At December 31, 2015	50,000		50,000
Share split (note (ii))	4,999,900,000		—
At December 31, 2016 and September 30, 2017 (note (v))	5,000,000,000	0.00001	50,000

32. PAID-IN CAPITAL/SHARE CAPITAL—continued

The Company—continued

Issued

	Ordinary shares	Class A ordinary shares	Class B convertible ordinary shares	Class C convertible ordinary shares	Total	Nominal value per share	Share capital of ordinary shares and Class A ordinary shares
						US$	US$
At January 30, 2015 (date of incorporation)	1	—	—	—	1	1	1
Issued during the period (note (i))	18	—	—	—	18	1	18
At December 31, 2015	19	—	—	—	19	1	19
Share split (note (ii))	1,899,981	—	—	—	1,899,981		
After share split	1,900,000				1,900,000	0.00001	19
Issue of shares to investors (note (iii))	598,100,000	—	—	—	598,100,000	0.00001	5,981
Issue of shares to Acheson (note (iv))	25,000,000	—	—	—	25,000,000	0.00001	250
At December 31, 2016	625,000,000	—	—	—	625,000,000	0.00001	6,250
Redesignation of ordinary shares to Class A Shares (note (v))	(625,000,000)	625,000,000		—	—	0.00001	—
Redesignation of Class A ordinary shares to Class B convertible ordinary shares (note (vi))	—	(125,000,000)	125,000,000	—	—	0.00001	(1,250)
Issuance of Class C-1 convertible ordinary shares (note 30)	—	—	—	27,573,529	27,573,529	0.00001	—
Issuance of Class C-2 convertible ordinary shares (note 30)	—	—	—	110,294,118	110,294,118	0.0001	—
Issuance of Class C-3 convertible ordinary shares (note 30)	—	—	—	31,786,152	31,786,152	0.0001	—
Repurchase of Class A ordinary shares (note (vii))	—	(24,722,563)	—	—	(24,722,563)	0.00001	(247)
Issuance of Class C-3 convertible ordinary shares upon repurchase (note (vii))	—	—	—	24,722,563	24,722,563	0.00001	—
At September 30, 2017	—	475,277,437	125,000,000	194,376,362	794,653,799	0.00001	4,753

	At December 31,		At September 30,
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Presented as	—	42	32

Notes:

(i) On January 30, 2015, the Company was incorporated by Boqi Environmental Engineering in Cayman Islands at a par value of US$1.00. On October 20, 2015, the Company, Boqi Environmental Engineering and Beijing Shengyi entered into a share transfer agreement in relation to the acquisition of the entire equity interests in Beijing Shengyi by the Company from Boqi Environmental Engineering for a consideration satisfied by the allotment and issue of 18 ordinary shares of the Company to Boqi Environmental Engineering.

(ii) On April 20, 2016, the authorised share capital was sub-divided into 5,000,000,000 shares of a par value of US$0.00001 each by sub-dividing every share of a par value of US$1.00 each into 100,000 shares of a par value of US$0.00001 each. Upon completion of such sub-division, Boqi Environmental Engineering held 1,900,000 shares of the Company at a par value of US$0.00001 each (in total equal to RMB122), representing the then entire issued share capital of the Company.

32. PAID-IN CAPITAL/SHARE CAPITAL—continued

The Company—continued

(iii) On April 20, 2016, the Company allotted and issued 23,100,000 shares, 192,857,143 shares, 207,857,143 shares, 49,285,714 shares and 125,000,000 shares at par for an aggregate of 598,100,000 ordinary shares with a par value of US$0.00001 each to Boqi Environmental Engineering, World Hero, Best Dawn, BES Investment Limited ("BES Investment") and New Asia, respectively.

(iv) On April 20, 2016, the Company proposed to implement the Pre-IPO Share Award Scheme under which Acheson will be appointed as the trustee of the employee trust (the "Trust") and the Trust will hold the scheme shares for the benefit of the selected employees pursuant to the rules of the Pre-IPO Share Award Scheme. The Company therefore allotted and issued at par to the Trustee 25,000,000 ordinary shares with a par value of US$0.00001 each (the "Scheme Shares").

(v) On January 9, 2017, all of the Company's ordinary shares were redesignated to Class A ordinary shares.

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

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

33. NON-CONTROLLING INTERESTS

	Year ended December 31,			Nine months ended September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Balance at beginning of the year/period	6,475	6,800	—	—
Profit and total comprehensive income for the year/period	325	585	—	(123)
Acquisition of interests of a subsidiary from non-controlling interests (i)	—	(6,885)	—	—
Dividend distribution	—	(500)	—	—
Contribution from non-controlling interests shareholder (ii)	—	—	—	1,200
Balance at end of the year/period	6,800	—	—	1,077

Notes:

(i) On June 20, 2015, Beijing Bosheng and Beijing Boqi Environmental Technology Co., Ltd. ("Beijing Boqi Environmental") entered into an equity interest transfer agreement in relation to the transfer of 0.625% equity interests in Beijing Boqi by Beijing Boqi Environmental to Beijing Bosheng for a consideration of RMB5,747,000. Upon completion of such transfer on July 1, 2015, Beijing Shengyi and Beijing Bosheng held 99.375% and 0.625% equity interests in Beijing Boqi, respectively, and Beijing Boqi became a wholly-owned subsidiary of the Group.

(ii) On July 17, 2017, Beijing Boqi and a third party non-controlling shareholder established Beijing BoQi Environmental Remediation Co., Ltd. with shareholdings of 60% and 40%, respectively. The paid-in-capital of the investee is RMB10,000,000, of which RMB1,800,000 and RMB1,200,000 has been invested by Beijing Boqi and the non-controlling shareholder, respectively, as at September 30, 2017.

34. DIVIDENDS

In March 2015, Beijing Boqi, a subsidiary of the Group, declared a cash dividend of RMB80,000,000, among which RMB500,000 was declared to the non-controlling shareholder, Beijing Boqi Environmental.

In August 2015, Beijing Shengyi, the wholly owned subsidiary of the Company declared cash dividend of RMB66,000,000 to its then shareholder, Boqi Environmental Engineering. The dividend was fully paid after the declaration.

34. DIVIDENDS—continued

It is not meaningful to present dividend per share information for the dividends declared during the year ended December 31, 2015 because the Group Reorganisation has not been completed when the above dividends were declared.

In April 2016, the Company declared cash dividend of RMB85,153,000 to its then sole shareholder, Boqi Environmental Engineering, with RMB44.82 per share calculated based on the adjusted number of shares held by Boqi Environmental Engineering after share split. The dividend was paid in August 2016.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of convertible ordinary shares, bank borrowings, non-trade nature amount due to related parties, bank balances and cash and equity attributable to owners of the Company, comprising paid-in capital and reserves in the consolidated statements of changes in equity.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the results of the review of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
AFS investment	3,360	5,600	2,000	20,000
Loans and receivables (including cash and cash equivalents)	1,438,422	1,429,671	1,481,089	1,828,975
Financial liabilities				
Liabilities measured at amortised cost	840,284	879,296	1,117,387	952,567
Liabilities measured at FVTPL	—	—	—	649,473

36. FINANCIAL INSTRUMENTS—continued

Categories of financial instruments—continued

The Company

	At December 31,		At September 30,
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	6,020	57,713	121,124
Financial liabilities			
Liabilities measured at amortised cost	6,494	188,259	7,564
Liabilities measured at FVTPL	—	—	649,473

Financial risk management objectives and policies

The Group's major financial instruments include AFS investment, trade and notes receivables, other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and notes payables, other payables, amounts due to related parties, bank borrowings and convertible ordinary shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, pledged bank deposits and bank balances. It is the Group's policy to keep its bank borrowings, pledged bank deposits and bank balances at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Lending Rate of the People's Bank of China, the Tokyo Interbank Offered Rate and the London Interbank Offered Rate arising from the Group's RMB denominated borrowings, JPY denominated borrowings and US$ denominated borrowings, respectively.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and cash, pledged bank deposits and variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

36. FINANCIAL INSTRUMENTS—continued

Sensitivity analysis—continued

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017 would increase/decrease by RMB2,407,000, RMB2,608,000, RMB1,799,000 and RMB1,217,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and pledged bank deposits and partially offset by the impact from bank borrowings.

Currency risk

The Group has bank balances which is denominated in foreign currencies, mainly US$, as at December 31, 2016 and September 30, 2017 and bank borrowings which is denominated in foreign currencies, mainly JPY and US$, as at December 31, 2016 that are exposed to currency risk.

Foreign currency sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external bank borrowings from the PRC banks' oversea branches. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If RMB had been appreciated/depreciated 5% against the foreign currency and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2016 and the nine months ended September 30, 2017 would increase/decrease by RMB7,204,000 and decrease/increase by RMB4,774,000, respectively. This is mainly attributable to the Group's exposure to foreign currency rates of US$ and JPY on its bank borrowings as at December 31, 2016 and the foreign currency bank balance as at September 30, 2017.

Other price risk

The Group is exposed to other price risk in respect of its AFS investment which is carried at fair value with changes in fair value recognized in the profit or loss. The Group is not exposed to commodity price risk.

Sensitivity analysis

The Group's AFS investment is publicly traded on NEEQ. If the equity price of the investment held by the Group had been 5% higher/lower, the other comprehensive income (expense) for the years ended December 31 2014, 2015 and 2016 and the nine months ended September 30, 2017 would have been approximately RMB142,800, RMB238,000, RMB85,000 and RMB850,000 higher (lower)/lower (higher), respectively.

36. FINANCIAL INSTRUMENTS—continued

Sensitivity analysis—continued

Credit risk

The Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position and the financial guarantee provided by the Group as disclosed in note 39(e).

The Group's credit risk is primarily attributable to its trade and notes receivables, receivables under concession arrangement, other receivables and amounts due from related parties. An allowance for doubtful debts for trade and notes receivables, receivables under concession arrangement, other receivables and amounts due from related parties is made when there is an identified loss event which, based on previous experience and management's assessment of the current economic environment and the financial condition of counterparties, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, investments to be placed and entered into with financial institutions of good reputation. These internal procedures help minimise the Group's credit risk exposure.

The credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with high credit ratings.

Due to the nature of business of the Group, the Group has significant concentration of credit risk on a number of customers and the financial guarantee provided by the Group as disclosed in note 39(e). As at December 31, 2014, 2015 and 2016 and September 30, 2017, the aggregate amount of the Group's trade and notes receivables to the top five customers was RMB254,471,000, RMB279,359,000, RMB350,751,000, and RMB266,327,000, representing 41.8%, 43.9%, 43.1% and 41.5% of the total trade and notes receivable of the Group as at the year/period end, respectively. In addition, the receivables under concession arrangements was RMB375,461,000 as at September 30, 2017, which was due from one customer newly engaged during the nine months ended September 30, 2017. Furthermore, the Group's concentration of credit risk by geographical locations is solely in the PRC. In the opinion of the directors of the Company, those customers are mainly large electricity companies with good financial backgrounds.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

36. FINANCIAL INSTRUMENTS—continued

Sensitivity analysis—continued

Liquidity risk—continued

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

The amounts included in below tables for guarantee are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the bank to the guarantor. The directors of the Company have represented that they considered the initial fair value of such guarantee was immaterial and that the borrower has made repayments to the bank in accordance with the scheduled repayment dates set out in the bank borrowing agreements, it is not probable that the Group will result in payment under such financial guarantee.

The Group

	Weighted average effective interest rate	On demand or within 3 months	3 months to 1 year	1-5 years	More than 5 years	Total undiscounted cash flow	Carrying value
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2014							
Financial liabilities							
Trade and notes payables	—	656,566	—	—	—	656,566	656,566
Other payables	—	35,770	—	—	—	35,770	35,770
Amounts due to related parties	—	15,948	—	—	—	15,948	15,948
Bank borrowings	5.50	1,840	50,316	86,793	12,553	151,502	132,000
Guarantee	—	—	—	—	45,000	45,000	—
		710,124	50,316	86,793	57,553	904,786	840,284
At December 31, 2015							
Financial liabilities							
Trade and notes payables	—	734,103	—	—	—	734,103	734,103
Other payables	—	49,909	—	—	—	49,909	49,909
Amounts due to related parties	—	8,284	—	—	—	8,284	8,284
Bank borrowings	5.45	1,191	23,256	74,877	—	99,324	87,000
Guarantee	—	—	—	—	66,000	66,000	—
		793,487	23,256	74,877	66,000	957,620	879,296

36. FINANCIAL INSTRUMENTS—continued

Sensitivity analysis—continued

Liquidity risk—continued

The Group—continued

	Weighted average effective interest rate	On demand or within 3 months	3 months to 1 year	1-5 years	More than 5 years	Total undiscounted cash flow	Carrying value
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016							
Financial liabilities							
Trade and notes payables	—	693,739	—	—	—	693,739	693,739
Other payables	—	80,261	—	—	—	80,261	80,261
Amounts due to related parties	—	133	—	—	—	133	133
Bank borrowings	3.07	2,635	299,784	50,326	—	352,745	343,254
Guarantee	—	—	—	66,000	—	66,000	—
		776,768	299,784	116,326	—	1,192,878	1,117,387
At September 30, 2017							
Financial liabilities							
Trade and notes payables	—	613,336	—	—	—	613,336	613,336
Other payables	—	269,391	—	—	—	269,391	269,391
Amounts due to related parties	—	2,840	—	—	—	2,840	2,840
Bank borrowings	4.41	20,650	1,555	48,973	—	71,178	67,000
Guarantee	—	—	—	66,000	—	66,000	—
		906,217	1,555	114,973	—	1,022,745	952,567

36. FINANCIAL INSTRUMENTS—continued

Sensitivity analysis—continued

Liquidity risk—continued

The Company

	Weighted average effective interest rate	On demand or within 3 months	3 months to 1 year	1-5 years	More than 5 years	Total undiscounted cash flow	Carrying value
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2015							
Financial liability							
Amounts due to related parties	—	6,494	—	—	—	6,494	6,494
		6,494	—	—	—	6,494	6,494
At December 31, 2016							
Financial liabilities							
Trade and notes payables	—	1,839	—	—	—	1,839	1,839
Other payables	—	10,166	—	—	—	10,166	10,166
Bank borrowings	1.71	754	176,471	—	—	177,225	176,254
		12,759	176,471	—	—	189,230	188,259
At September 30, 2017							
Financial liabilities							
Trade and notes payables	—	1,839	—	—	—	1,839	1,839
Other payables	—	5,725	—	—	—	5,725	5,725
		7,564	—	—	—	7,564	7,564

Fair value measurement

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

This note provides information about how the Group determines fair values of the following financial assets.

	Fair value as at December 31,			Fair value as at September 30, 2017	Fair value hierarchy	Valuation technique and key input
	2014	2015	2016			
	RMB'000	RMB'000	RMB'000	RMB'000		
Equity investment in the PRC (note 18)	3,360	5,600	2,000	20,000	Level 2	Recent transaction price in NEEQ
Convertible ordinary shares	—	—	—	649,473	Level 3	Market approach

Fair value of convertible ordinary shares

The convertible ordinary shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation technique. The directors of the Company have used market approach to determine the fair value of the convertible ordinary shares. Key unobservable input, such as market multiple—P/E ratio is disclosed in note 30.

36. FINANCIAL INSTRUMENTS—continued

Sensitivity analysis—continued

Fair value of convertible ordinary shares—continued

Fair value of convertible ordinary shares is primarily affected by market multiples—P/E ratio. If the market multiple—PE ratio had increased/decreased by 10% with all other variables held constant, profit before income taxes for the nine months ended September 30, 2017 would have been approximately RMB61,248,000 lower/higher, respectively.

There were no transfers between Level 1 and 2 during the Track Record Period.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values due to short maturity, initially recognised close to the end of reporting period, or with floating interest rates.

37. OPERATING LEASES

The Group as lessor

Leasing arrangements

Operating leases relate to the investment properties owned by the Group are with lease terms of two years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Group from its investment properties and direct operating expenses arising on the investment properties for the Track Record Period are set out in note 10.

Non-cancellable operating lease receivables

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The Group					
Within one year	1,492	1,881	1,491	1,659	1,081
In the second to fifth year, inclusive	3,472	1,591	100	409	—
	4,964	3,472	1,591	2,068	1,081

37. OPERATING LEASES—continued

The Group as lessee

Minimum lease payment paid under operating leases during the Track Record Period are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Premises	7,700	8,385	8,167	5,289	7,696

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The Group					
Within one year	8,342	8,875	7,972	8,776	10,113
In the second to fifth year, inclusive	16,847	7,972	—	1,415	19,406
	25,189	16,847	7,972	10,191	29,519

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Company

The Company did not have any lease commitment during the Track Record Period.

38. DISSOLUTION OF A SUBSIDIARY

Dissolution of Beijing BoQi Runbang SCI-TECH Co., Ltd. ("Boqi Runbang")

On July 15, 2014, the Group dissolved Boqi Runbang, which was a wholly owned subsidiary of the Group. The amounts of assets attributable to the subsidiary on the date of dissolution were the bank balances and cash amount of RMB14,417,000. The dissolution of Boqi Runbang did not contribute significantly to the results and cash flows of the Group during the period prior to the dissolution.

39. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Deposit paid for the acquisition of assets

	The Group At December 31,			The Group At September 30,	The Company At December 31,		The Company At September 30,
	2014	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deposit paid for the acquisition of assets							
Guangdong Huaxia Electric Power Development Co., Ltd (Note (i))	—	—	136,000	—	—	—	—

Note:

(i) Guangdong Huaxia Electric is indirectly owned and controlled by Mr. Zhu Weihang, a non-executive director and shareholder of the Company. On May 20, 2016, Beijing Boqi entered into the Cooperation Framework Agreement with Guangdong Huaxia Electric and Yangxi Electric, pursuant to which Yangxi Electric agreed to split itself into separate companies for the purpose of allocating and assigning #1—#4 desulfurization and denitrification facilities ("Yangxi Facilities") to them (the "SPVs"), and to establish a new company for the purpose of allocating and assigning #5—#6 desulfurization and denitrification facilities to it. After such allocation and assignment, Beijing Boqi will acquire the entire equity interest in the SPVs in accordance with the terms of the Cooperation Framework Agreement. On December 30, 2016, Beijing Boqi paid to Yangxi Electric the sum of RMB136,000,000, being 20% of the consideration for the acquisition of as a deposit for the Cooperation Framework Agreement. The amount has been returned by Guangdong Huaxia on September 4, 2017 upon the termination of the acquisition.

(b) Amounts due from related parties

Amounts due from related parties—trade nature

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Yangxi Haibin Electric Power Development Co., Ltd. ("Yangxi Electric") (note i)	—	—	800	68,009
Yangmei Group Shouyang Boqi Electricity Co., Ltd. ("Shouyang Power") (note ii)	—	—	37,089	22,281
Han Chuan Long Yuan (note iii)	—	—	4,577	4,121
Qujing Yunneng Touxing Energy Electricity Co., Ltd. (note iv)	144	144	144	—
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd ("Sinopec Shanghai Gaoqiao") (note v)	—	—	—	148
Sinopec Shanghai Petrochemical Company Limited ("Sinopec Shanghai") (note v)	—	—	—	7,362
	144	144	42,610	101,921

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed for reporting purpose as:				
Current assets	—	—	42,466	101,921
Non-current assets	144	144	144	—
	144	144	42,610	101,921

39. RELATED PARTY TRANSACTIONS AND BALANCES—continued

(b) Amounts due from related parties—continued

Notes:

(i) Yangxi Electric is a wholly-owned subsidiary of Guangdong Huaxia Electric. The balance represents the receivable in relation to the O&M service provided by the Group, which is non-interest bearing.

(ii) Shouyang Power is 40% owned by Beijing Boqi Environmental. The balance represents the receivable in relation to the EPC service provided by the Group, which is non-interest bearing.

(iii) Han Chuan Long Yuan is an equity method associate of the Group. The balance represents the receivable from EPC service provided by the Group.

(iv) The balance represents the receivable in relation to the EPC service provided by an the associate of Boqi Environmental Engineering, which is non-interest bearing.

(v) Entities of which the controlling shareholder has significant influence in the Company. The balance represents the receivable in relation to the EPC service to be provide.

The Group generally grants a credit period of 90 days to its related parties. Aging of amounts due from related parties—trade nature, based on invoice dates, are as follows:

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 90 days	—	—	41,666	87,636
91 - 180 days	—	—	—	11,727
181 - 365 days	—	—	800	2,558
1 - 2 years	144	—	—	—
2 - 3 years	—	144	—	—
Over 3 years	—	—	144	—
	144	144	42,610	101,921

Aging of amounts due from related parties—trade nature that are past due but not impaired are as follows:

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 90 days	—	—	—	—
91 - 180 days	—	—	800	—
181 - 365 days	—	—	—	800
1 - 2 years	144	—	—	—
2 - 3 years	—	144	—	—
Over 3 years	—	—	144	—
	144	144	944	800

39. RELATED PARTY TRANSACTIONS AND BALANCES—continued

(b) Amounts due from related parties—continued

Amounts due from related parties—non-trade nature

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At September 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Yangxi Electric (note (i))	—	—	—	139,690
Shouyang Power (note (ii))	58,911	—	—	—
Boqi Environmental Engineering (note (ii))	18,500	18,500	18,328	18,324
Han Chuan Long Yuan (note (ii))	607	—	165	420
Mr. Cheng (note (ii))	—	—	1,200	—
	78,018	18,500	19,693	158,434

Notes:

(i) On August 28, 2017, the Group entered into a revised management service agreement with Guangdong Huaxia Electric and Yangxi Electric to extend the O&M service term from January 1, 2017 to September 30, 2017 to a term from January 1, 2017 to December 31, 2025 and require a deposit of RMB139,690,000, which was paid by the Group on September 1, 2017. The deposit is unsecured, interest-free and repayable at the end of the O&M service term.

(ii) The balances are all unsecured, interest-free and repayable on demand.

Maximum amount outstanding during the year/period are as follows:

	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2016	Nine months ended September 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Yangxi Electric	—	—	—	139,690
Shouyang Power	58,911	—	—	—
Boqi Environmental Engineering	18,500	18,500	18,500	18,328
Han Chuan Long Yuan	607	—	165	420
Mr. Cheng	—	—	1,200	—
	78,018	18,500	19,865	158,438

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At September 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed for reporting purpose as:				
Current assets	59,518	—	1,365	420
Non-current assets	18,500	18,500	18,328	158,014
	78,018	18,500	19,693	158,434

Advance payment to a related party

	At December 31, 2014	At December 31, 2015	At December 31, 2016	At September 30, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Boqi Environmental Engineering (note)	—	24,631	—	—
	—	24,631	—	—

Note: Balance is in relation to the purchase of equipments from Boqi Environmental Engineering for certain EPC services.

39. RELATED PARTY TRANSACTIONS AND BALANCES—continued

(c) Amounts due to related parties

Amounts due to related parties—trade nature

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Wuhan BOCH	841	743	132	—
Boqi Environmental Engineering	—	6,494	—	—
Sinopec Fushun Petrochemical Research Institute ("Fushun Research Institute")	—	—	—	2,122
Richinfo Technology Co., Ltd.	—	—	—	718
	841	7,237	132	2,840

The credit period granted by the related parties is ranging from 30 to 90 days. Aging of amounts due to related parties—trade nature are as follows:

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 90 days	—	293	—	2,840
91 - 180 days	—	—	—	—
181 - 365 days	163	6,494	—	—
1 - 2 years	678	163	—	—
2 - 3 years	—	287	—	—
Over 3 years	—	—	132	—
	841	7,237	132	2,840

Amounts due to related parties—non–trade nature

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Boqi Environmental Engineering	15,000	—	—	—
	15,000	—	—	—

Note: The balance is unsecured, interest free and repayable on demand.

Advance from related parties

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Han Chuan Long Yuan	—	984	—	—
	—	984	—	—

Note: The balances represent the advance payment from related parties in relation to the EPC services provided by the Group.

39. RELATED PARTY TRANSACTIONS AND BALANCES—continued

(c) Amounts due to related parties—continued

Amounts due to senior management personnel

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Cheng	76	—	—	—
Lu Jing	31	51	1	—
Zhao Zhou	—	12	—	—
	107	63	1	—

Note: The balances are mainly payable for expense reimbursement, which are unsecured, interest free and repayable on demand.

(d) The transactions with related parties during the Track Record Period are listed out below:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Yangxi (note (1))					
—O&M service	—	—	—	—	141,174
—Water and electricity, labor, spare parts and miscellaneous items charged by Yangxi	—	—	—	—	54,021
Shouyang Power (note (2))					
—EPC service	—	—	55,920	4,599	20,654
Sinopec Shanghai (note (3))					
—EPC service	—	—	—	—	63,279
Sinopec Shanghai Gaoqiao (note (4))					
—EPC service	—	—	—	—	870
Han Chuan Long Yuan (note (5))					
—EPC service and consulting service fee	190	193	17,958	17,958	—
Boqi Environmental Engineering (note (6))					
—Purchase of equipments	—	6,763	26,793	—	—
Richinfo Technology Co., Ltd. ("Richinfo")					
—Purchase of intangible assets	75	725	63	—	740
Fushun Research Institute					
—EPC consulting fee (note (7))	—	—	—	—	2,150

Note:

(1) In December 2016, the Group entered into a management service agreement, through which the Group will provide O&M service to Yangxi Electric, among which RMB141,174,000 was recognised as revenue during the nine months ended September 30, 2017, the Group also purchases water and electricity, labor, space parts and miscellaneous items from Yangxi to support the O&M service. During the nine month ended September 30, 2017, the Group purchased RMB54,021,000 water and electricity, labor, space parts and miscellaneous items from Yangxi;

(2) In December 2015, the Group entered into an EPC service contract with Shouyang Boqi for a total contract amount of RMB287,560,000, of which RMB55,920,000 and RMB20,654,000 were recognised as revenue during the year ended December 31, 2016 and nine months ended September 30, 2017;

(3) In March 2017, the Group entered into an EPC service contract with Sinopec Shanghai for a total contract of RMB224,626,000, of which RMB63,279,000 was recognised as revenue during the nine months ended September 30, 2017;

(4) In April 2017, the Group entered into EPC service contract with Sinopec Shanghai Gaoqiao for a total contract amount of RMB16,990,000, of which RMB870,000 was recognised as revenue during the nine months ended September 30, 2017;

39. RELATED PARTY TRANSACTIONS AND BALANCES—continued

(d) The transactions with related parties during the Track Record Period are listed out below:—continued

(5) During the year ended December 31, 2016, the Group completed an EPC service contract with its associate, Han Chuan Long Yuan, with total contract of RMB17,761,000. During the years ended December 31, 2014, 2015 and 2016, the Group has also entered into consulting service contract with Han Chuan Long Yuan, of which RMB190,000, RMB193,000 and RMB197,000 were recognised as revenue during the years ended December 31, 2014, 2015 and 2016, respectively.

(6) During the year ended December 31, 2015 and 2016, the group purchases equipments from the overseas suppliers through Boqi Environmental Engineering for certain EPC services provided by the Group. The group purchased RMB6,763,000 and RMB26,793,000 equipments during the year ended December 31, 2015 and 2016.

(7) In September 2017, the Group entered into a technology licensing contract with Fushun Research Institute, pursuant to which the Group was licensed to use certain patents and know-how of Fushun Research Institute from the contract signing date to the end of December 2018.

(e) Guarantees provided to Han Chuan Long Yuan

On July 18, 2014 and January 15, 2015, the Company and the Wuhan branch of China Everbright Bank entered into two separate financial guarantee contracts, pursuant to which Beijing Boqi will provide guarantees for the liabilities under the maximum credit limit amounting to RMB45,000,000 and RMB21,000,000, respectively, arising from securing two bank term loans to Han Chuan Long Yuan, for the loan period from July 18, 2014 to July 17, 2021 and from January 15, 2015 to January 14, 2022, respectively. The directors of the Company have represented that they considered the initial fair value of such guarantee was immaterial and that Han Chuan Long Yuan has made repayments to China Everbright for their bank loans in accordance with the scheduled repayment dates set out in the bank borrowing agreements, it is not probable that the Group will result in payment under such financial guarantee.

(f) Compensation of key management personnel

The remuneration of key management personnel which represent the directors and key executives of the Company for the Track Record Period are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	3,260	3,260	3,260	2,446	2,446
Contributions to retirement benefits scheme	141	153	159	120	129
Total emoluments	3,401	3,413	3,419	2,566	2,575

The remuneration of the directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Same as disclosed above, there were no other significant transactions with related parties during the Track Record Period or other significant balances with them at the end of each reporting period.

40. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the Track Record Period are disclosed in note 10 and 12.

41. SHARE-BASED PAYMENT

The Company adopted the Pre-IPO Share Award Scheme ("Scheme") pursuant to a resolution passed by the directors of the Company on April 15, 2016, through which a total of 25,000,000 shares ("Awarded Shares") at a par value of US$0.00001 each were issued to Acheson (the "Trust") on May 11, 2016, who will hold the Awarded Shares for the benefit of the eligible employees ("Selected Employees") and facilitate the purchase, holding and/or vesting of such Awarded Shares as a trustee pursuant to the trust deed ("Trust Deed") signed by the Company. The Trust was established pursuant to the Trust Deed dated September 2, 2016 with retrospective effect from May 10, 2016.

The principal terms of the Scheme are summarised in the section headed "Statutory and General information—Pre-IPO Share Award Scheme" in Appendix V to the Prospectus.

A management committee has been established and authorised by the directors of the Company to make all determination and provide directions to the Trustee in relation to the Scheme (the "Committee"). The Pre-IPO Share Award Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Selected Employees are entitled to subscribe for the Awarded Shares at the price of RMB0.85 per Awarded Share by way of a loan provided by the Company. The Awarded Shares shall vest in three tranches on the following vesting dates provided that the vesting conditions applicable to such Selected Employee are satisfied:

(i) 50% on the date of Listing ("Listing Date") (the "First Vested Shares"), provided the Selected Employees remain in service until the first trading day following the first anniversary of the Listing Date;

(ii) 25% on the first trading date following the first anniversary of the Listing Date; and

(iii) 25% on the first trading date following the second anniversary of the Listing Date.

Upon the date of Listing, the trustee will sell the First Vested Shares under the instruction of the Committee. The proceeds, after netting off the loan borrowed by the respective Selected Employees ("Net Proceed"), 80% of which will be paid to the Selected Employees. However, if such Selected Employee terminates its employment with the Group during the one-year period after the Listing Date, the Net Proceed received should be repaid to the Company. The remaining 20% of the Net Proceed will be paid provided that such Selected Employee continues to serve the Company for one year after the Listing Date. If the proceeds are less than the amount of the loan borrowed, the Selected Employees will still need to repay the loan to the Company.

41. SHARE-BASED PAYMENT—continued

The expected vesting period for tranche (i) and (ii) is one year after the Listing Date and the expected vesting period for tranche (iii) is two years after the Listing Date.

On September 7, 2016, the Company granted 23,170,000 Awarded Shares to the Selected Employees.

The details of the Awarded Shares granted for the year ended December 31, 2016 are as follows:

Number of Awarded Shares granted	Grant date	Expiry date	Purchase price
			RMB
23,170,000	September 7, 2016	September 7, 2026	0.85

At the end of each reporting period, the Company will revise its estimates of the number and timing of shares that are expected to vest ultimately. The impact of the revision of the estimates, if any, will be recognised in profit or loss, with a corresponding adjustment to the share options reserve.

In accordance with the Trust Deed, the Company has the control over the Trust. Therefore, the Trust is consolidated by the Group. Accordingly, the shares issued and held by Acheson should be treated as treasury shares and shown separate amounts in the consolidated statements of changes in equity. In addition, finance costs and administration expenses of the trust are recognised by the Company.

All outstanding vested share awards were measure in accordance with IFRS 2 at their market-based measure at the acquisition date. Fair value of the share-based awards granted under the Scheme utilised a discounted cash flow method to capture the present value of the expected future economic benefits which is determined by the directors of the Company by referencing to a valuation carried out by GW Financial Advisory Services Ltd. an independent qualified professional valuer not connected with the Group, which is located on 25/F Room 2504, Lippo Centre Tower One, 89 Queensway, Admiralty, Hong Kong.

Movement in Awarded Shares during the year/period

The following reconciles the shares outstanding at the beginning and end of the year/period:

	Number of shares	Weighted average purchase price
		RMB
Balance at December 31, 2015	—	—
Granted during the year	23,170,000	0.85
Forfeited during the year	—	—
Balance at December 31, 2016	23,170,000	0.85
Granted during the period	—	—
Forfeited during the period	(725,000)	0.85
Balance at September 30, 2017	22,445,000	0.85

The Company recognised a total share-based payment expenses of RMB4,049,000 in profit or loss during the year ended December 31, 2016 and RMB5,776,000 in profit or loss during the period ended September 30, 2017 in relation to the Awarded Shares granted by the Company.

42. COMMITMENT FOR CAPITAL EXPENDITURE

	At December 31,			At September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Commitments for construction of infrastructure under concession operation (contracted but not provided for)	42,686	38,965	37,687	135,592

The Company

The Company did not have any commitment for capital expenditure at end of each reporting period.

43. CAPITAL AND RESERVES OF THE COMPANY

The movements in the reserves of the Company are shown as follows:

	Treasury shares	Merger reserve	Other reserve	Share premium reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 30, 2015 (date of incorporation)	—	—	—	—	—	—
Profit and total comprehensive income for the year	—	—	—	—	(373)	(373)
At December 31, 2015	—	—	—	—	(373)	(373)
Profit and total comprehensive income for the year	—	—	—	—	59,732	59,732
Arising from the reorganisation (note (i))	—	371,500	—	711,359	—	1,082,859
Deemed distribution to a shareholder	—	—	(130,310)	—	—	(130,310)
Issuance of share awards	(2)	—	—	21,338	—	21,336
Share-based compensation expenses	—	—	—	4,049	—	4,049
Dividend distribution	—	—	—	—	(85,153)	(85,153)
At December 31, 2016	(2)	371,500	(130,310)	736,746	(25,794)	952,140
Profit and total comprehensive income for the period	—	—	—	—	(159,125)	(159,125)
Share-based compensation expenses	—	—	—	5,776	—	5,776
Redesignation of Class A ordinary shares to Class B convertible ordinary shares	—	—	—	(201,329)	—	(201,329)
Repurchase of Class A shares	—	—	—	(40,103)	—	(40,103)
At September 30, 2017	(2)	371,500	(130,310)	501,090	(184,919)	557,359

Note:

(i) Total amount represents the difference between the net assets value of Beijing Shengyi at the reorganisation date and the notional value of the shares issued by the Company.

44. PARTICULARS OF SUBSIDIARIES

During the Track Record Period and as at the date of this report, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiary	Date and place of establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company					Principal activities
			As of December 31,			As of September 30,	At the date of this report	
			2014	2015	2016	2017		
			%	%	%	%	%	
CBEE	March 17, 2015 British Virgin Islands ("BVI")	—	N/A	100	100	100	100	Investment holding
Beijing Shengyi	October 17, 2003 The People's Republic of China (the "PRC")	RMB371,500,000	100	100	100	100	100	Investment holding
Beijing Bosheng	May 7, 2015 The PRC	RMB10,000,000	N/A	100	100	100	100	Investment holding
Beijing Boqi	June 24, 2002 The PRC	RMB400,000,000	99.375	100	100	100	100	Environmental protection facility engineering, operation and maintenance services
Jinggangshan Boqi	June 11, 2009 The PRC	RMB81,000,000	99.375	100	100	100	100	Concession operation services
浙江博奇電力科技有限公司 Zhejiang Boqi Electric Power SCI-TECH Co., Ltd. ("Zhejiang Boqi")	July 12, 2006 The PRC	RMB20,000,000	99.375	100	100	100	100	Inactive
山西蒲州博奇環保科技有限公司 Shanxi Puzhou Boqi Environmental Technology Co., Ltd. ("Puzhou Boqi")	September 26, 2012 The PRC	RMB55,000,000	99.375	100	100	100	100	Concession operation services
Hejin Boqi	October 19, 2012 The PRC	RMB25,000,000	99.375	100	100	100	100	Concession operation services
安徽能達燃料有限公司 Anhui Nengda Fuel Co., Ltd. ("Anhui Nengda")	October 12, 2005 The PRC	RMB20,000,000	99.375	100	100	100	100	Sale of coal and chemicals
山西博源奇晟環保設備服務有限公司 Shanxi Bo Yuan Qi Cheng Environmental Equipment Service Co., Ltd. ("Shanxi Bo Yuan")	December 18, 2014 The PRC	RMB10,000,000	99.375	100	100	100	100	Operation and maintenance services
北京博奇潤邦科技有限公司 Beijing BoQi Runbang SCI-TECH Co., Ltd. ("Boqi Runbang") (Note (i))	March 3, 2009 The PRC	RMB20,000,000	N/A	N/A	N/A	N/A	N/A	Inactive and dissolved
昌吉州博奇環保科技有限公司 Changjizhou Boqi Environmental Technology Co., Ltd. ("Changjizhou Boqi") (Note (ii))	September 25, 2017 The PRC	RMB140,000,000	N/A	N/A	N/A	N/A	100	Environmental protection facility engineering, operation and maintenance services
北京博奇環境修復有限公司 Beijing BoQi Environmental Remediation Co., Ltd. ("Boqi Remediation")	July 17, 2017 The PRC	RMB3,000,000	N/A	N/A	N/A	60	60	Technology service, engineering exploration service

Notes:

(i) Boqi Runbang was inactive and dissolved during the year ended December 31, 2014.

(ii) The RMB140,000,000 of registered capital has not been paid as at September 30, 2017.

44. PARTICULARS OF SUBSIDIARIES—continued

Except for CBEE and Beijing Shengyi, all of the above subsidiaries are indirectly held by the Company. All of the above subsidiaries are limited liability companies established in the PRC except for CBEE, which is a limited liability company incorporated in BVI.

All companies now comprising the Group have adopted December 31, as their financial year end.

No audited statutory financial statements have been prepared for CBEE since its date of incorporation as there are no statutory audit requirements in the BVI.

No audited statutory financial statements have been prepared for Changjizhou Boqi and Boqi Remediation as they were newly established during the nine months ended September 30, 2017.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiaries	Financial year ended	Name of auditors
Beijing Shengyi	December 31, 2016	瑞華會計師事務所 Rui Hua Certified Public Accountants ("Rui Hua") (note (d))
	December 31, 2014 and 2015	北京觀正會計師事務所有限公司 Beijing Guan Zheng Certified Public Accountants (note (d))
Beijing Bosheng	December 31, 2016	Rui Hua
	December 31, 2015	N/A (note (b))
Beijing Boqi	December 31, 2014, 2015 and 2016	Rui Hua
Jinggangshan Boqi	December 31, 2015 and 2016	Rui Hua
	December 31, 2014	江西金廬陵會計師事務所有限公司 Jiangxi Jin Lu Ling Certified Public Accountants (note (d))
Zhejiang BoQi	December 31, 2015 and 2016	Rui Hua
	December 31, 2014	N/A (note (a))
Puzhou Boqi	December 31, 2015 and 2016	Rui Hua
	December 31, 2014	永濟正興會計師事務所有限公司 Yongji Zhengxing Certified Public Accountants (note (d))
Hejin Boqi	December 31, 2015 and 2016	Rui Hua
	December 31, 2014	山西廣和會計師事務所有限公司 Shanxi Guanghe Certified Public Accountants (note (d))
Anhui Nengda	December 31, 2015 and 2016	Rui Hua
	December 31, 2014	合肥易德會計師事務所（普通合夥） Anhui Yide Certified Public Accountants (note (d))
Shanxi Bo Yuan	December 31, 2015 and 2016	Rui Hua
	December 31, 2014	N/A (note (a))
BoQi Runbang	December 31, 2014	N/A (note (c))

44. PARTICULARS OF SUBSIDIARIES—continued

Notes:

(a) No audited financial statements for the year ended December 31, 2014 has been prepared for Zhejiang Boqi and Shanxi Bo Yuan. Zhejiang Boqi was in the process of liquidation during the year ended December 31, 2014. Shanxi Bo Yuan was established on December 18, 2014.

(b) No audited statutory financial statements of Beijing Bosheng have been prepared because it is inactive since its establishment.

(c) No audited statutory financial statements of BoQi Runbang have been prepared since BoQi Runbang was finally dissolved during the year ended December 31, 2014.

(d) The English names for all the PRC certified public accountants firms are used for identification purpose only.

B. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration was paid or payable by the Group to the directors of the Company in respect of the Track Record Period. Under the arrangement currently in force, the aggregate amount of the directors' fee and other emoluments for the year ending December 31, 2017, excluding share-based payments and discretionary bonus, is estimated to be approximately RMB1,816,000.

C. SUBSEQUENT EVENTS

There has been no material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with IFRs.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to September 30, 2017.