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Post Hearing Information Pack of

WEIGANG ENVIRONMENTAL TECHNOLOGY HOLDING GROUP LIMITED
维港环保科技控股集团有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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WEIGANG ENVIRONMENTAL TECHNOLOGY HOLDING GROUP LIMITED
维港环保科技控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment)**
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Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.05 per Share**
Stock code	**:**	**[REDACTED]**

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EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document including the appendices hereto, which constitute an integral part of this document, before you decide to invest in the [**REDACTED**]. *There are risks associated with any investment. For some of the particular risks in investing in the* [**REDACTED**]*, see "Risk Factors". You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

We are a leading comprehensive hazardous waste incineration turnkey solution provider in China focused on the research, design, integration and commissioning of solid waste treatment systems, particularly for hazardous waste incineration. According to Frost & Sullivan, we were the largest solution provider in China in 2017 with a market share of 19.8% in terms of revenue from centralised hazardous waste incineration solutions. As at 31 December 2017, we ranked first among solution providers in China in terms of aggregate designed disposal capacity of centralised hazardous waste incineration projects under construction(1) with a market share of 37.3%, according to Frost & Sullivan. During the Track Record Period, we undertook 24 hazardous waste incineration projects covering 24 cities in China with an aggregate designed disposal capacity of approximately 566,000 tonnes per annum. Five of these projects were completed during the Track Record Period and 19 were outstanding as at 30 June 2018, with an aggregate contract value to be delivered amounting to approximately RMB570.2 million.

Leveraging our experience and expertise in hazardous waste incineration, we have expanded our offerings to other areas of solid waste treatment, such as thermal desorption of oil sludge, pyrolysis treatment of solid waste and cement plant parallel kiln co-treatment. We conduct research and development of technologies related to these new areas and have successfully applied some of them to our new solid waste treatment projects. As at 30 June 2018, we had one outstanding project in Karamay for thermal desorption of oil sludge and another one in Jiangmen for pyrolysis treatment.

BUSINESS MODEL

Solid Waste Treatment Solutions

We provide solid waste treatment solutions through the design, integration and commissioning of solid waste treatment systems, which comprise a range of equipment and other components, on a made-to-order basis pursuant to the technical specifications and requirements of our customers. During the Track Record Period, we primarily engaged in and generated a substantial portion of our revenue from the provision of hazardous waste incineration systems in China, which accounted for 79.3%, 89.0%, 93.0% and 93.5% of our total revenue for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

Hazardous Waste Incineration Solutions

Hazardous waste is a type of solid waste exhibiting one or more of the characteristics as being ignitable, corrosive, reactive, infective or toxic, posing threats to public health or the environment. According to Frost & Sullivan, the total volume of hazardous waste (including medical and industrial hazardous waste) disposed of in centralised hazardous waste treatment facilities in China reached 8.2 million tonnes in 2017, out of which approximately 27.9% was disposed of by incineration. Our hazardous waste incineration solutions comprise the use of a rotary kiln incineration system, which adopts a globally prevalent and mature technology

(1) Such projects under construction refer to centralised hazardous waste incineration projects under construction with an annual designed disposal capacity of no less than 10,000 tonnes, excluding cement plant co-treatment projects.

aiming to ensure thorough destruction and oxidation of hazardous waste with minimised environmental impact. According to Frost & Sullivan, rotary-kiln incineration systems dominated the hazardous waste incineration market in China with a market share of over 80% in terms of total disposal capacity in 2017, and rotary-kiln incineration is expected to remain the mainstream hazardous waste incineration solution in China in the next five years as other competing technologies may not achieve the same level of effectiveness or economic feasibility. We engage in the design, installation, integration and commission of tailor-made rotary-kiln incineration systems based on customers' technical specifications and requirements. The delivery of such solutions is a highly intricate and integrated end-to-end process which requires expertise and project experience in achieving optimised environmental protection effect and commercial viability.

We provide hazardous waste incineration solutions mainly for hazardous waste treatment facility operators in China. During the Track Record Period, we had business relationships with five of the ten largest centralised hazardous waste treatment facility operators in China as at 31 December 2017 in terms of annual designed disposal capacity, according to Frost & Sullivan. In addition, we were the only hazardous waste incineration solution provider for Dongjiang Group, a leading hazardous waste treatment facility operator in China, for its hazardous waste incineration projects under construction as at 30 June 2018.

Thermal Desorption of Oil Sludge

We provide thermal desorption solutions for the treatment of oil sludge, which is a type of hazardous waste mainly generated from oil exploitation and extraction. During the Track Record Period, we entered into a service contract with an oil service provider in China which has the relevant operating licence to lease, and provide operation and maintenance services for, an oil sludge treatment facility designed and commissioned by us in Karamay, Xinjiang (the "**Karamay Project**"). As at the Latest Practicable Date, the Karamay Project was in trial operation and it is expected to commence operation in December 2018. With the large volume of oil sludge inventory in China and the promulgation of stricter environmental protection regulations by the PRC government, we aim to leverage our existing project experience and replicate this project model for oil sludge treatment serving an increasing number of oil service providers in China.

Pyrolysis

We develop and utilise the pyrolysis technology which creates a genuine anoxic pyrolysis decomposition process by eliminating air insurgence and preventing the formation of oxidant pollutants from the beginning of and throughout the treatment process of solid waste. During the Track Record Period, we entered into a project contract with Dongjiang Group for the treatment of highly cohesive organic solid waste, such as paint residues, by utilising the pyrolysis technology in Jiangmen, Guangdong province (the "**Jiangmen Project**"). We are also collaborating with a municipal solid waste disposal operator, Guangdong Xingyue, for the development of pyrolysis treatment systems installed on motor vehicles for the distributed and movable treatment of municipal solid waste in Shunde, Guangdong province. In addition, we are also in the process of developing and commercialising the pyrolysis technology for a number of solid waste treatment applications with respect to waste new energy batteries and waste paper residues.

During the Track Record Period, we generated revenue from one pyrolysis project, the Jiangmen Project. We may adopt different project models in developing our pyrolysis business. We may provide pyrolysis solutions to customers where we would be responsible for the design, integration and commission of pyrolysis treatment systems and generate revenue based on project completion progress. In addition, we may also participate in the operation of pyrolysis projects through cooperation with various business partners and generate revenue from the operation thereof. As we continue to invest in projects adopting the pyrolysis technology, we expect to record recurring revenue from such projects in the future. For details of our future plans and strategies for the development of our pyrolysis business, see "Business – Our Business Strategies" and "Business – Our Business Model – Solid Waste Treatment Solutions – Pyrolysis".

Cement Plant Parallel Kiln Co-treatment

We have developed and are in the process of commercialising the cement plant parallel kiln co-treatment technology. As at the Latest Practicable Date, we had entered into a letter of intent and were in the process of negotiating the commercial terms with a cement producer in

China to invest in and operate such co-treatment project in Guangdong Province through the establishment of a joint venture or our own entity. We expect to enter into the cooperation agreement in December 2018. Driven by the increasing demand and governmental support, we aim to reach out to more cement producers in China to promote the advantages of our parallel kiln co-treatment systems to explore new project opportunities.

Technical Upgrading and Maintenance Services

Apart from providing solutions for hazardous waste incineration projects, we also derived our revenue during the Track Record Period from providing technical upgrading and maintenance services to existing hazardous waste incineration systems and certain cement production facilities in China.

As we focused increasingly on the development of our business in solid waste treatment solutions, the proportion of our revenue from providing technical upgrading and maintenance services to our total revenue decreased from 20.7% in 2015 to 11.0% in 2016 and further to 7.0% in 2017, with revenue amounting to RMB15.5 million, RMB9.8 million and RMB13.3 million for the respective years. Such proportion further decreased to 4.6% for the six months ended 30 June 2018, with revenue amounting to RMB8.5 million for the same period.

The following table sets out the breakdowns of our revenue, gross profit and gross profit margin by type of solution or service for the periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2015			2016			2017			2017			2018		
	Revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*	Revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*	Revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*	Revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*	Revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*
Hazardous waste incineration solutions	59,415	22,563	38.0	79,162	26,877	34.0	176,141	61,373	34.8	22,325	1,487	6.7	171,163	44,507	26.0
Pyrolysis solid waste treatment solutions	–	–	–	–	–	–	–	–	–	–	–	–	3,470	865	24.9
Other services:															
Technical upgrading services	–	–	–	3,492	406	11.6	11,445	438	3.8	4,549	359	7.9	4,979	353	7.1
Maintenance services	15,468	4,150	26.8	6,317	1,556	24.6	1,821	293	16.1	497	(164)	(33.0)	3,502	(779)	(22.3)
	15,468	4,150	26.8	9,809	1,962	20.0	13,266	731	5.5	5,046	195	3.9	8,481	(426)	(5.0)
Total	74,883	26,713	35.7	88,971	28,840	32.4	189,407	62,104	32.8	27,371	1,682	6.1	183,114	44,946	24.5

During the Track Record Period, our gross profit margin was 35.7%, 32.4%, 32.8% and 24.5% for the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, respectively. The general decrease in our gross profit margin was mainly attributable to the general decrease in the gross profit margin of our hazardous waste incineration solutions which contributed 79.3%, 89.0%, 93.0% and 93.5% of our total revenue for the same period, since (i) we had achieved a relatively higher gross profit margin from an indoor hazardous waste incineration project in Karamay, Xinjiang, undertaken in 2015 for its difficulties in indoor design and location, among other factors, which contributed 18.0% of our total revenue in 2015; (ii) we had been adjusting the project price of our hazardous waste incineration solutions in view of the intense competition in the market and in order to scale up our operations and obtain more market share; and (iii) we had procured equipment and materials with higher cost for installation of certain hazardous incineration systems so as to improve the quality of our systems, enhance our corporate brand and maintain better relationship with our customers.

PROJECTS AND CONTRACT VALUE TO BE DELIVERED

Details of our projects during the Track Record Period and up to the Latest Practicable Date are set out in the section headed "Business – Solid Waste Treatment Projects".

We generally obtain new projects from customers through a tender process or commercial negotiation and our tender success rate for the hazardous waste incineration projects during the Track Record Period was 100%, 100%, 66.7% and 90.0%, respectively, in 2015, 2016 and 2017 and the six months ended 30 June 2018. In the past, due to relatively limited resources to take on more projects, we generally only participated in a small number of tenders at the invitation of customers which may already have an inclination to work with us. In recent years, we have been more actively seeking project tender opportunities and increasingly participating in tender process with both existing and new customers to expand our business scale of hazardous waste incineration and to enhance our market competitiveness. This has resulted in relatively lower tender success rates in 2017 and the first half of 2018 as compared to 2015 and 2016. Our revenue obtained from projects through tenders accounted for approximately 77.2%, 100.0%, 71.8% and 60.0%, respectively, of our total hazardous waste incineration revenue for 2015, 2016 and 2017 and the six months ended 30 June 2018.

The table below sets out the breakdowns of the number and contract size range of and revenue from our hazardous waste incineration projects by project status for the Track Record Period:

	As at/Year ended 31 December									As at/Six months ended 30 June		
	2015			2016			2017			2018		
	No. of projects	Contract size range *(RMB Million)*	Revenue *RMB'000*	No. of projects	Contract size range *(RMB Million)*	Revenue *RMB'000*	No. of projects	Contract size range *(RMB Million)*	Revenue *RMB'000*	No. of projects	Contract size range *(RMB Million)*	Revenue *RMB'000*
Projects completed during the year[1]	1	22.9	13,463	1	35.0	3,275	3	34.5 – 35.4	3,008	–[4]	–[4]	–[4]
Projects outstanding as at the end of the year[2][3]	4	34.5 – 35.4	45,952	5	34.5 – 37.6	75,887	10	36.0 – 93.3	173,133	19	36.0 – 94.7	171,163
Total	5		59,415	6		79,162	13		176,141	19		171,163

Notes:

(1) Projects completed during the year represent projects of which we had completed the system functionality evaluation for the project during the relevant year.

(2) Outstanding projects represent projects of which we had entered into the relevant project contracts and were yet to be completed as at the end of the relevant year.

(3) One of the four outstanding projects as at 31 December 2015 was a hazardous waste incineration project in Suzhou, which was terminated in 2016 due to a default of contract by the counterparty. This project contributed revenue of RMB0.08 million and RMB0.02 million for the years ended 31 December 2015 and 2016, respectively.

(4) We had not completed any projects during the first half of 2018.

The table below sets out the contract value to be delivered for our projects by project categories as at 30 June 2018:

Category	**Contract value to be delivered** *(RMB million)*
Hazardous waste incineration	570.2
Thermal desorption of oil sludge	N/A[1]
Pyrolysis	0.8

Note:

(1) As at 30 June 2018, we had entered into the service contract for the Karamay Project under which we were entitled to charge a leasing and operation fee from the counterparty upon commencement of operation based on the actual treatment volume of oil sludge for an initial term of three years. Therefore, we did not have a specific amount of contract value to be delivered for the Karamay Project as at 30 June 2018.

RESEARCH AND DEVELOPMENT

Maintaining technological competitiveness has always been one of our top priorities. We believe that our advanced technologies and strong research and development capabilities are core competitiveness to our leading industry position in the PRC. According to Frost & Sullivan, the operating parameters of the hazardous waste incineration projects commissioned by us are higher than the industry standards in China in terms of emission compliance.

Our technical personnel conducting research and development activities possess the professional expertise and extensive experience in the solid waste treatment industry and environmental protection in China, focused on continuously improving our technologies and

solutions quality and maintaining our market position in technological development. As at the Latest Practicable Date, we had a total of 66 technical personnel conducting research and development activities with an average of approximately ten years of industry experience. As at the Latest Practicable Date, we had registered 23 patents and had 24 pending registration in the PRC primarily relating to hazardous waste incineration technologies. For more details, see "Business – Research and Development".

PRICING AND CUSTOMERS

We generally negotiate prices with our customers on a case-by-case basis taking into account a number of factors such as scale and complexity of the project, technical specifications required and the level of system customisation, our estimated costs plus a reasonable profit margin, customer profile and our relationship with such customer, any payment terms and the prices of any competing solutions.

Our customers primarily consist of hazardous waste treatment facility operators and other customers with large solid waste output and environmental compliance needs. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, revenue from our five largest customers for the Track Record Period, which were primarily hazardous waste treatment facility operators, amounted to RMB74.9 million, RMB89.0 million, RMB187.3 million and RMB178.8 million, respectively, accounting for 100%, 100.0%, 98.9% and 97.7% of our total revenue, respectively. We have established strong and stable customer relationships with many industry renowned customers and have accumulated approximately five years on average of business relationships with our five largest customers for the Track Record Period.

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, our revenue from Dongjiang Group, a leading hazardous waste treatment facility operator in China and our largest customer for the Track Record Period, amounted to RMB59.3 million, RMB83.5 million, RMB135.1 million and RMB68.5 million, respectively, accounting for 79.2%, 93.9%, 71.4% and 37.4% of our total revenue, respectively. As at 30 June 2018, Dongjiang Group had a total of eight hazardous waste incineration projects under construction in China with an aggregate designed disposal capacity of 200,000 tonnes per annum according to Frost & Sullivan, in which we were engaged to provide solutions to all of these projects. During the Track Record Period, we had strengthened business relationships with an increasing number of industry players other than Dongjiang Group for our hazardous waste incineration business. As at 30 June 2018, 30.3% and 69.7% of the contract value to be delivered for our hazardous waste incineration projects were from Dongjiang Group and other customers, respectively. For more information on our customer diversification efforts, see "Business – Sales and Customers – Customer Diversification".

PROCUREMENT

We generally procure equipment and materials as the components of our solution systems, and sub-contracting services for installation and construction of our projects. By outsourcing these services to the sub-contractors, we are able to reduce the relevant staff costs and risk exposures connected with providing such sub-contracted services, which allow us to focus our resources on our key business operations. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, purchase from our five largest suppliers, which were primarily contract manufacturers and equipment and materials vendors, amounted to RMB21.7 million, RMB27.5 million, RMB45.4 million and RMB47.1 million, respectively, accounting for 45.1%, 45.7%, 35.7% and 34.1% of our cost of services, respectively, and purchase from our largest suppliers for the Track Record Period, which were two contract manufacturers and one equipment vendor, amounted to RMB7.6 million, RMB9.4 million, RMB11.6 million and RMB16.8 million, respectively, accounting for 15.7%, 15.7%, 9.1% and 12.1% of our cost of services, respectively. Our cost of equipment and materials accounted for 77.3%, 75.5%, 79.5% and 85.5% of our total cost of services for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, and our sub-contracting fees accounted for 19.4%, 18.5%, 15.5% and 10.4% of our total cost of services for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively. For more details, see "Business – Procurement".

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

- We are a leading comprehensive hazardous waste incineration turnkey solution provider in China with extensive project experience and well positioned to benefit from the significant industry growth;
- We possess advanced solid waste treatment technologies and strong research and development capabilities;

- We provide self-designed, end-to-end, high-quality and customised hazardous waste incineration turnkey solutions;
- We have established a stable and strong customer base; and
- We have a visionary and experienced senior management team supported by highly skilled employees.

BUSINESS STRATEGIES

We aim to continue to expand our market share and strengthen our market position by pursuing the following strategies:

- Continue to solidify our leading market position in comprehensive hazardous waste incineration and increase our market share in hazardous waste treatment;
- Seize more business opportunities from solid waste treatment by commercialising the pyrolysis technology to market;
- Further enhance our competitiveness and risk management with the adoption of more project models; and
- Establish and utilise our research and engineering centre to enhance service standards.

INDUSTRY LANDSCAPE

The main solid waste treatment methods in China include, among others, resource utilisation, physical-chemical treatment, incineration, landfill, pyrolysis and thermal desorption. Incineration and landfill are the major methods for final disposal of hazardous waste in China. According to Frost & Sullivan, the output volume of hazardous waste in China increased from 31.6 million tonnes in 2013 to 69.4 million tonnes in 2017 at a CAGR of 21.8%. According to Frost & Sullivan, the output volume of hazardous waste in China is expected to further increase from 79.8 million tonnes in 2018 to 133.1 million tonnes in 2022 at a CAGR of 13.6%. The treatment volume of hazardous waste in China increased from 24.0 million tonnes in 2013 to 65.9 million tonnes in 2017 at a CAGR of 28.7% and is expected to further increase from 76.4 million tonnes in 2018 to 131.0 million tonnes in 2022 at a CAGR of 14.4%, according to Frost & Sullivan.

According to Frost & Sullivan, driven by governmental support and increasing demand for centralised incineration of hazardous waste, the cumulative disposal capacity of large-scale centralised hazardous waste incineration facilities in China is expected to increase at a CAGR of 19.9% from 2018 to 2022. The total revenue of solution providers for large-scale centralised hazardous waste incineration facilities in China had increased at a CAGR of 42.3% from 2013 to 2017 and is expected to increase at a CAGR of 7.7% from RMB1,254.9 million in 2018 to RMB1,688.0 million in 2022, driven primarily by the increasing disposal capacity of these facilities in China, according to Frost & Sullivan.

Due to the technological and experience barriers, solution providers for large-scale centralised hazardous waste incineration are competing in a relatively concentrated market in China. According to Frost & Sullivan, the top five players in aggregate accounted for over 50% of the market by revenue and we ranked the first with a market share of 19.8% by revenue in 2017, according to Frost & Sullivan. For details on our industry landscape, see "Industry Overview".

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables sets out our summary of financial information for the periods indicated and should be read together with the consolidated financial information in Appendix I to this document, including the accompanying notes and the information set out in the section headed "Financial Information".

Summary Consolidated Statements of Profit or Loss

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	74,883	88,971	189,407	27,371	183,114
Cost of services	(48,170)	(60,131)	(127,303)	(25,689)	(138,168)
Gross profit	26,713	28,840	62,104	1,682	44,946
Other income, gains and losses	113	786	2,188	600	3,821
Impairment losses, net of reversal	(1,574)	(129)	(584)	–	199
Administrative expenses	(2,342)	(3,713)	(11,743)	(3,506)	(11,484)
Other expenses	(2,633)	(5,571)	(14,473)	(3,281)	(8,650)
Share of results of associates	443	2,667	(675)	(431)	–
Finance costs	–	–	(438)	(116)	(1,991)
Profit/(Loss) before tax	20,720	22,880	36,379	(5,052)	26,841
Income tax (expense)/credit	(5,105)	(3,357)	(6,620)	687	(4,193)
Profit/(Loss) for the year/period	15,615	19,523	29,759	(4,365)	22,648

The growth in revenue during the Track Record Period was mainly due to an increase in revenue from hazardous waste incineration solutions. Our revenue for the year ended 31 December 2017 increased significantly by 112.9% to RMB189.4 million from RMB89.0 million in 2016 as we continued to focus on developing our hazardous waste incineration solutions and there was an increase in the number of hazardous waste incineration projects undertaken by us in 2017 due to our leading market position in the industry and a general increase in market customer demand for hazardous waste incineration systems. We further recorded a revenue of RMB183.1 million for the six months ended 30 June 2018 as the market demand for our hazardous waste incineration system remained strong and we started generating revenue from our pyrolysis solid waste treatment solutions.

Administrative expenses and other expenses generally increased during the Track Record Period, especially in 2017 and for the six months ended 30 June 2018, which were in line with our business expansion. Administrative expenses increased by RMB8.0 million to RMB11.7 million in 2017 from RMB3.7 million in 2016 primarily due to (i) an increase in staff salaries and benefits as we had hired more management, finance and administration staff for our business growth and the average salaries of our staff had generally increased; (ii) an increase in professional fees as we had engaged more consultancy services in relation to our business operations, financial management and strategic development; and (iii) an increase in operating lease payment as we moved to a larger office premise in 2017. Administrative expenses increased by RMB8.0 million from RMB3.5 million for the six months ended 30 June 2017 to RMB11.5 million for the six months ended 30 June 2018, which was primarily attributable to an increase in staff salaries and benefits, professional fees and other miscellaneous administrative expenses such as expenses on advertising activities. Other expenses increased by RMB8.9 million to RMB14.5 million in 2017 from RMB5.6 million in 2016 primarily due to (i) an increase in research and development expenses and (ii) the incurrence of [**REDACTED**] expenses. We further incurred other expenses of RMB8.7 million for the six months ended 30 June 2018 which consisted of [**REDACTED**] expenses of RMB5.2 million and research and development expenses of RMB3.5 million.

Summary Consolidated Statements of Financial Position

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	10,640	10,657	24,861	48,649
Current assets	53,264	80,185	228,192	294,320
Current liabilities	31,028	38,443	208,356	124,465
Net current assets	22,236	41,742	19,836	169,855
Non-current liabilities	–	–	10,000	96,173
Net assets	32,876	52,399	34,697	122,331
Total equity	32,876	52,399	34,697	122,331

Net current assets decreased to RMB19.8 million as at 31 December 2017 from RMB41.7 million as at 31 December 2016 was primarily due to (i) an increase in amounts due to shareholders as Mr. Cai and Mr. Ren made certain advances to us in 2017 primarily for acquisition of shares in Guangzhou Weigang and consideration payables in connection with the Reorganisation and [**REDACTED**] expenses incurred and (ii) an increase in contract liabilities due to our project progress, partially offset by an increase in bank balances and cash, trade and note receivables and contract assets. Net current assets increased to RMB169.9 million as at 30 June 2018 from RMB19.8 million as at 31 December 2017, which was primarily due to (i) an increase in trade and note receivables and contract assets as there was an increase in ongoing solid waste treatment projects and (ii) a decrease in amounts due to shareholders and a related party attributable to repayment and capitalisation of shareholders' loan and repayment to Ms. Huang.

Summary Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash from/(used in) operating activities	9,497	(7,623)	29,784	12,072	(60,722)
Net cash flows from/(used in) investing activities	712	1,405	(22,927)	(15,541)	(22,801)
Net cash flows (used in)/from financing activities	(6,890)	2,095	54,026	6,884	65,269
Net increase/(decrease) in cash and cash equivalents	3,319	(4,123)	60,883	3,415	(18,254)
Cash and cash equivalents at the beginning of the year/period	8,867	12,186	8,063	8,063	68,946
Cash and cash equivalents at the end of the year/period	12,186	8,063	68,946	11,478	50,692

We had net cash used in operating activities in 2016 in the amount of RMB7.6 million primarily due to a negative adjustment of RMB2.7 million resulting from a gain recorded in share of results of associates, negative changes in working capital of RMB23.3 million and income tax payment of RMB4.9 million. Such changes in working capital primarily consisted of an increase of RMB23.2 million in contract assets and an increase of RMB11.9 million in trade and note receivables because we had issued progress billings to two of our projects upon completion of installation at the end of 2016, partially offset by a decrease of RMB7.3 million in deposits, prepayments and other receivables due to decrease in advances to suppliers and value-added tax receivables as we had less projects in need of advance procurement of equipment and materials at the end of 2016 and an increase of RMB6.6 million in trade payables as we procure more equipment and materials for our increased hazardous waste incineration projects throughout the year. Our net cash used in operating activities for the six months ended 30 June 2018 in the amount of RMB60.7 million was primarily due to an increase in trade and note receivables and contract assets for our increasing number of ongoing projects and an increase in deposits, prepayments and other receivables for advance to suppliers and deposits for tender bidding. In view of our net cash used in operating activities, we will continue to uphold our cash flow management including, amongst others, (i) conducting effective and prudent forecasts of our cash flow, by closely monitoring the progress and cash flow movement for each ongoing projects; (ii) improving our capital structure by exploring financing channels such as obtaining bank credit facilities; (iii) strengthening our trade receivables management to maintain a reasonable turnover days; and (iv) negotiating with suppliers to get better payment terms such as utilising bank acceptance notes for settlement of trade payables.

We had net cash used in investing activities in 2017 in the amount of RMB22.9 million which consisted mainly of (i) placement of pledged bank deposits of RMB17.3 million since we have placed two bank guarantees, as advances and bidding bond, upon a customer's

requirement and (ii) purchase of and deposits paid for property, plant and equipment of RMB13.7 million mainly for our Karamay Project and pyrolysis project and our own fixed assets such as computers and vehicles. The cash outflows were partially offset by withdrawal of pledged bank deposits of RMB8.4 million in relation to our bank guarantees that have been pledged as advances. Our net cash used in investing activities for the six months ended 30 June 2018 in the amount of RMB22.8 million was primarily due to placement of pledged bank deposits and purchase of and deposits paid for property, plant and equipment for the Karamay Project, partially offset by the return of investment upon deregistration of Yishida.

We had net cash flow used in financing activities in 2015 in the amount of RMB6.9 million primarily due to a repayment of RMB6.4 million to a related party, Guangzhou Shenghui Mechanical and Electrical Equipment Limited, in connection with fund advances provided to us as working capital and a repayment of RMB1.7 million to our Controlling Shareholder, Mr. Cai in connection with the fund advances from him for our business operations, partially offset by further fund advances of RMB1.2 million from Mr. Cai for our business operations.

Key Financial Ratios

	As at/Year ended 31 December			As at/Six months ended 30 June
	2015	2016	2017	2018
Current ratio[(1)]	1.7	2.1	1.1	2.4
Return on assets (%)[(2)]	24.4	21.5	11.8	N/A
Return on equity (%)[(3)]	47.5	37.3	85.8	N/A
Gearing ratio (%)[(4)]	N/A	N/A	31.7	8.2
Gross profit margin (%)	35.7	32.4	32.8	24.5
Net profit margin (%)	20.9	21.9	15.7	12.4

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities as at the date indicated.

(2) Return on assets is calculated by dividing profit for the year by total assets as at the closing of the year and multiplied by 100%. Return on assets was not applicable for the six months ended 30 June 2018 as (i) a calculation using profit for the period is not comparable to the one using profit for the year and (ii) the profit for the period cannot be meaningfully annualised.

(3) Return on equity is calculated by dividing profit for the year by total equity as at the closing of the year and multiplied by 100%. Return on equity was not applicable for the six months ended 30 June 2018 as (i) a calculation using profit for the period is not comparable to the one using profit for the year and (ii) the profit for the period cannot be meaningfully annualised.

(4) Gearing ratio is calculated by dividing total borrowings by total equity as at the date indicated and multiplied by 100%. The gearing ratio was not applicable as at 31 December 2015 and 2016, respectively, as we did not have any bank borrowings as at such dates.

Our current ratio increased significantly from 1.1 as at 31 December 2017 to 2.4 as at 30 June 2018 was primarily due to (i) the increased number of solid waste treatment projects undertaken by us, (ii) repayment and capitalisation of amounts due to Mr. Cai, Mr. Ren and (iii) repayment of amounts due to Ms. Huang.

Our return on assets generally decreased during the Track Record Period primarily due to a larger growth rate of our total assets which outpaced the growth rate of our profit for the year. The significant decrease in 2017 was primarily attributable to (i) a general increase in current assets as we undertook more hazardous waste incineration projects in 2017 and (ii) an increase in non-current assets especially in property, plant and equipment and deposits for acquisition of equipment mainly for our pyrolysis project.

Our return on equity increased significantly in 2017 as we had a large increase in profit for the year coupled with a decrease in total equity due to our acquisition of shares in Guangzhou Weigang in connection with the Reorganisation, for which the consideration remained outstanding as current liabilities as at 31 December 2017.

Our gearing ratio decreased significantly to 8.2% as at 30 June 2018 from 31.7% as at 31 December 2017 was primarily due to a significant increase in total equity mainly attributable to capitalisation of shareholders' loan and [**REDACTED**] investments.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and options granted under the [**REDACTED**] Share Option Scheme), our Company will be owned as to approximately [**REDACTED**]% by WeiGang Technology which is wholly owned by Weigang Green. Weigang Green is in turn wholly owned by Mr. Cai, an executive Director. Thus, each of WeiGang Technology, Weigang Green and Mr. Cai will be regarded as a Controlling Shareholder under the Listing Rules. Our Controlling Shareholders confirm that they do not have any interest in any business, apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

[**REDACTED**] INVESTMENTS

We had issued 6,655,353 Shares, 9,500,000 Shares and 4,708,647 Shares to Mr. Siu Waiyuen, Mr. Ng Ho Man and Mr. Chen Chien-Ming, respectively. The considerations for such issues were fully settled on, and such issues were completed on, 13 February 2018, 13 February 2018 and 9 April 2018, respectively. For details, please see the subsection headed "History, Reorganisation and Group Structure – [**REDACTED**] Investments".

[**REDACTED**] SHARE OPTION SCHEME

We adopted the [**REDACTED**] Share Option Scheme and options to subscribe for an aggregate of [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the issued Shares immediately following the [**REDACTED**] (without taking into account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or options which were granted under the [**REDACTED**] Share Option Scheme), were granted by our Company under the [**REDACTED**] Share Option Scheme on 10 December 2018. If all options granted under the [**REDACTED**] Share Option Scheme are exercised, this would have a dilutive effect on the shareholding and earnings per Share of our Shareholders of approximately [**REDACTED**]%. For details, see "History, Reorganisation and Group Structure – [**REDACTED**] Share Option Scheme", "Statutory and General Information – D. [**REDACTED**] Share Option Scheme" in Appendix IV to this document.

[**REDACTED**] STATISTICS[(1)]

The statistics below are based on the assumption that [**REDACTED**] are issued under the [**REDACTED**]:

	Based on the low end of the indicative [REDACTED] range of HK$[REDACTED] per share	**Based on the high end of the indicative [REDACTED] range of HK$[REDACTED] per share**
Market capitalisation of our Shares[(2)]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
[**REDACTED**] adjusted consolidated net tangible assets per Share	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) All statistics presented herein are based on the assumption that the [**REDACTED**] is not exercised and do not take into account any Shares which may be allotted and issued pursuant to the exercise of options under the [**REDACTED**] Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.

(2) The calculation of market capitalisation is based on the assumption that [**REDACTED**] Shares will be in issue immediately following completion of the [**REDACTED**].

DIVIDEND POLICY

Subject to the provisions of the Articles and the Cayman Companies Law and based on our present financial conditions and business strategies, we currently intend to distribute up to 25% of our profit for the year attributable to owners of the Company from the year ending 31 December 2018 onwards. Any future declaration of dividends, however, is subject to our results of operations, financial conditions, cash requirements and availability, contractual restrictions, if any, and any other factors as it may deem relevant at such time. Any future

declarations and payments of dividends will be at the discretion of the Board and may require the approval of our Shareholders. We cannot assure you that we will be able to distribute dividends of such amount or any amount, or at all, in any year. For more information, see "Financial Information – Dividends and Dividend Policy".

REASONS FOR [REDACTED] AND [REDACTED]

Our Directors believe that the [**REDACTED**] will provide us with the financial resources to better capture business opportunities and fulfil our external funding needs, especially in view of our planned business and development pursuits for (i) continuous research and development to ensure our technologies stay at the forefront of the solid waste treatment market, and (ii) our increasing capital expenditure need for commencing operation of projects in the areas of thermal desorption and pyrolysis treatment. For further details on our business strategies and funding needs, see "Business – Our Business Strategies" and "Future Plans and [**REDACTED**]". Our Directors also believe the [**REDACTED**] will further broaden our shareholder base and provide us with the flexibility to adjust our capital structure from time to time, through accessing a wider spectrum of fund raising venue, including debt and equity raising, and negotiating more favourable terms of financing from financial institutions as and when considered appropriate, which in turn will enable us to better withstand external shocks and market fluctuations. In addition, a public [**REDACTED**] status is expected to enhance our corporate profile, brand recognition and market position, which would add to our leverage in obtaining more projects and other business cooperation opportunities. It would also help us expand customer base as a [**REDACTED**] company with enhanced credibility and better business credentials associated with public financial disclosures and general regulatory supervision which are not applicable to private companies. Moreover, our Directors believe that the [**REDACTED**] will enable us to reach out to a wider talent pool and provide us with more means, such as offering a more reputed employment environment and granting of share options, to attract and retain quality talents to further our technology and business developments.

The [**REDACTED**] from the [**REDACTED**], after deducting [**REDACTED**] fees (without taking into account any discretionary incentive fees, if applicable) and estimated expenses payable by us in connection with the [**REDACTED**], are estimated to be approximately HK$[**REDACTED**] million before any exercise of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share. We intend to use such [**REDACTED**] that we will receive from the [**REDACTED**] for the following purposes:

- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for the continual utilisation of the pyrolysis technology for the treatment of various types of solid waste, such as municipal solid waste, highly cohesive organic solid waste, organic waste for the recycling of waste new energy batteries and waste paper residues;
- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for the establishment of a research and engineering centre in Guangdong province;
- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for the further commercialisation of oil sludge thermal desorption technology, and the design, investment, construction and commissioning of oil sludge thermal desorption facilities;
- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for the investment in and the operation of the business of cement plant parallel kiln co-treatment solutions;
- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for working capital and general corporate purposes.

For more details, see "Future Plans and [**REDACTED**] – [**REDACTED**]".

RISK FACTORS

Our business is subject to certain risks involved in our operations, including but not limited to risks relating to our business and industry, risks relating to conducting business in the PRC and risks relating to the [**REDACTED**]. We believe that the following are some of the major risks that we face:

- The development of our industries is highly dependent on the PRC government's environmental protection policies, which may change from time to time;

- We may not be able to adapt to rapidly changing technologies in a timely manner, or at all;
- Our business could be materially and adversely affected if we are unable to maintain our relationships with major customers or to attract new customers;
- We derived a substantial portion of our revenue from Dongjiang Group during the Track Record Period. Any decrease in our sales to Dongjiang Group or any adverse changes in its business or financial condition could materially and adversely affect our business, financial condition and results of operations;
- We may not be successful in obtaining new projects on commercially acceptable terms, or at all;
- Our backlog is subject to unexpected adjustments and cancellations and may, therefore, not be indicative of our future operating results; and
- Our business is subject to seasonality due to holiday seasons.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed "Risk Factors" carefully before you decide to invest in the [**REDACTED**].

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had obtained two new hazardous waste incineration projects with an aggregate designed disposal capacity of 50,000 tonnes per annum and an aggregate contract amount of approximately RMB105.0 million.

The total contract value to be delivered of our projects was RMB570.2 million as at 30 June 2018. The revenue to be recognised for these projects is expected to be RMB285.4 million, RMB221.4 million, RMB59.9 million and RMB3.5 million, respectively, for the six months ending 31 December 2018, 30 June 2019, 31 December 2019 and 30 June 2020.

In furtherance of our goal for customer diversification and strengthening of business relationships, we entered into a strategic cooperation agreement in October 2018 with China Everbright Greentech, a PRC environmental protection service provider and a company listed on the Stock Exchange (stock code: 1257). For details, see "Business – Sales and Customers – Customer Diversification – Strategic cooperation with industry players".

Our Directors have confirmed that, since 30 June 2018 and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants' Report included in Appendix I to this document.

[**REDACTED**] EXPENSES

During the Track Record Period, we had incurred [**REDACTED**] expenses of RMB[**REDACTED**] million, of which RMB[**REDACTED**] million was charged to our consolidated statement of profit or loss and comprehensive income and the remaining amount of RMB[**REDACTED**] million was recorded as deferred issue costs which is to be net off with share premium after the [**REDACTED**]. We expect to further incur [**REDACTED**] expenses (including [**REDACTED**] commissions) of approximately RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million) (based on the mid-point of our indicative price range for the [**REDACTED**] and without taking into account any discretionary incentive fees, if applicable) by the completion of the [**REDACTED**], of which an estimated amount of approximately RMB[**REDACTED**] million will be charged to our consolidated statement of profit or loss and comprehensive income for the year ending 31 December 2018 and an estimated amount of approximately RMB[**REDACTED**] million will be capitalised. Given our aforementioned [**REDACTED**] expenses expected to be incurred after the Track Record Period, our financial results could be materially affected for the year ending 31 December 2018.

In this document, unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical Terms".

[**REDACTED**]

"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on 10 December 2018 and with effect upon the [**REDACTED**], a summary of which is contained in "Appendix III – Summary of the Constitution of our Company and Cayman Companies Law" to this document, and as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Orient Landscape"	Beijing Orient Landscape & Environment Co., Ltd.* (北京東方園林環境股份有限公司), a joint stock company established in the PRC on 2 July 1992 whose shares are listed on Shenzhen Stock Exchange (stock code: 002310)
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

[**REDACTED**]

[**REDACTED**]

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chaozhou Xinnengji"	潮州市新能極環保科技有限公司 (Chaozhou Xinnengji Technology Limited*), a limited liability company established under the laws of the PRC on 16 March 2017 and an indirectly non-wholly owned subsidiary of our Company, which is indirectly owned as to 90% by our Company and 10% by Mr. Guo Xudong
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this document, references in this document to China or the PRC exclude Hong Kong, Macau and Taiwan
"China Everbright Greentech"	China Everbright Greentech Limited (中國光大綠色環保有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 13 October 2015, the shares of which are listed the Stock Exchange (Stock Code: 1257)
"Circular No. 37"	Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) issued by SAFE and effective on 4 July 2014
"Circular No. 7"	Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) issued by SAT and effective on 3 February 2015
"close associate(s)"	has the meaning ascribed to it under the Listing Rules

"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance" or "C(WUMP)O"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Weigang Environmental Technology Holding Group Limited 维港环保科技控股集团有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability on 18 May 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	the controlling shareholder(s) (having the meaning ascribed to it under the Listing Rules) of our Company, namely, Mr. Cai, Weigang Green and WeiGang Technology
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	the China Securities Regulatory Commission of the People's Republic of China (中華人民共和國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 10 December 2018 and executed by our Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for each of its subsidiaries), in respect of, among other things, certain indemnities including taxation, further particulars of which are set out in the section headed "Statutory and General Information – E. Other Information – 1. Estate duty, tax and other indemnity" of this document

"Deed of Non-competition"	the deed of non-competition dated 10 December 2018 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are set out in the section headed "Relationship with the Controlling Shareholders – Non-competition Deed"
"Director(s)"	the director(s) of our Company
"Dongjiang Group"	Dongjiang Environmental Company Limited (東江環保股份有限公司), one of the largest centralised hazardous waste treatment facility operators in China, which was established under the laws of the PRC and is an Independent Third Party of the Group and whose A shares and H shares are listed on the Shenzhen Stock Exchange and the Stock Exchange, respectively, as well as its subsidiaries, joint ventures and associated companies
"EIT Law"	the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》), which came into effect on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"Environmental Protection Law"	the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), as amended, supplemented or otherwise modified from time to time
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company commissioned by us to prepare a market research report for the purpose of this document
"Frost & Sullivan Report"	a report that we commissioned Frost & Sullivan to prepare regarding the solid waste treatment and hazardous waste treatment markets in China for purpose of the [**REDACTED**]
"GFA"	gross floor area

[**REDACTED**]

[REDACTED]

"Group", "our Group", "we" and "us"	our Company together with its subsidiaries, or where the context so requires in respect of the period before our Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of our Company, or where the context so requires our predecessor company, Guangzhou Weigang E&ME
"Guangdong HWCTDC"	the Guangdong Hazardous Waste Comprehensive Treatment Demonstration Centre (廣東省危險廢物綜合處理示範中心)
"Guangdong Lvhuan"	廣東綠環泰安環保有限公司 (Guangdong Lvhuan Taian Environmental Protection Limited*), a company established as a limited liability company under the laws of the PRC on 28 August 2017 and an indirectly non-wholly owned subsidiary of our Company, which is indirectly owned as to 51% by our Company and 49% by Guangdong Xingyue
"Guangdong Xingyue"	廣東星越環境科技有限公司 (Guangdong Xingyue Environmental Technology Limited*), a company established as a limited liability company under the laws of the PRC on 25 April 2017, which is owned as to 40% by a Mr. Chen Yonghe, 40% by a Mr. Hou Wenqing and 20% by a Mr. Zhao Qianxiang as at the Latest Practicable Date and is an Independent Third Party save for its interest in Guangdong Lvhuan
"Guangzhou Weigang"	廣州維港環保科技有限公司 (Guangzhou Weigang Environmental Protection Technology Limited*), a company established as a limited liability company under the laws of the PRC on 15 July 2009 and an indirectly owned subsidiary of our Company

"Guangzhou Weigang E&ME"	廣州維港機電設備有限公司 (Guangzhou Weigang Electrical and Mechanical Equipment Limited*), a company established as a limited liability company under the laws of the PRC on 18 August 1998 and deregistered on 22 November 2012, which had been owned as to 70% by Mr. Cai and 30% by a Ms. Hu Huilian who is Mr. Cai's mother-in-law, respectively, at all material times and the predecessor of Guangzhou Weigang, the details of which is set out in the subsection headed "History, Reorganisation and Group Structure – Our History"

[**REDACTED**]

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

[**REDACTED**]

[**REDACTED**]

"IFRSs"	International Financial Reporting Standards
"Independent Third Party(ies)"	a person or persons or a company or companies which is not or are not our connected person(s) within the meaning ascribed under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Jade Far"	Jade Far Investment Limited 杰發投資有限公司, a company incorporated in the BVI with limited liability on 16 May 2017 and a wholly owned subsidiary of our Company
"Jade Fly"	Jade Fly Investment Limited 杰飛投資有限公司, a company incorporated in the BVI with limited liability on 12 May 2017, which is wholly owned by Mr. Ren and a substantial shareholder of our Company
"Jade Road"	Jade Road Investment Limited 杰路投資有限公司, a company incorporated in Hong Kong with limited liability on 28 October 2015 and a wholly owned subsidiary of our Company
"Latest Practicable Date"	4 December 2018, being the latest practicable date for the purposes of ascertaining certain information contained in this document before its publication

[**REDACTED**]

"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Loan Capitalisation Issue"	the capitalisation of loans owed to WeiGang Technology and Jade Fly by allotting and issuing certain Shares on 26 January 2018 as described in the subsection headed "History, Reorganisation and Group Structure – Reorganisation – (7) Loan Capitalisation Issue and Share Consolidation"
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes GEM
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, conditionally adopted on 10 December 2018 with effect upon [**REDACTED**], a summary of which is set out in "Appendix III – Summary of the Constitution of our Company and Cayman Islands Companies Law" to this document, and as amended and restated from time to time
"MEE"	the Ministry of Ecology and Environment of the People's Republic of China (中華人民共和國生態環境部) (formerly known as the Ministry of Environmental Protection of the People's Republic of China (中華人民共和國環境保護部))
"MOF"	the Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部)
"Mr. Cai"	Mr. Cai Zhuhua, a Controlling Shareholder, an executive Director and the spouse of Ms. Huang
"Mr. Deng Zhaoshan"	an executive Director
"Mr. Dong Honghui"	an executive Director
"Mr. Guo Xudong"	Mr. Guo Xudong, a shareholder of Chaozhou Xinnengji holding 10% equity interest in Chaozhou Xinnengji and the sole director of Chaozhou Xinnengji

"Mr. Ren"	Mr. Ren Yunan, the sole shareholder of Jade Fly, a substantial shareholder of our Company and a son of Mr. Ren Jingfeng
"Mr. Ren Jingfeng"	a non-executive Director and the father of Mr. Ren
"Mr. Yang Zhiqiang"	a non-executive Director
"Ms. Huang"	Ms. Huang Ying, a member of our senior management and the spouse of Ms. Huang
"NDRC"	the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會)

[**REDACTED**]

"Orient Landscape"	Orient Landscape Group Environmental Protection Co., Ltd.* (東方園林集團環保有限公司), a limited liability company established in the PRC on 8 December 2017, which is wholly owned by Beijing Orient Landscape

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of PRC
"PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), promulgated by the Standing Committee of the National People's Congress on 29 December 1993 and effective on 1 July 1994, as last amended on 28 December 2013 and effective on 1 March 2014, as further amended, supplemented or otherwise modified from time to time
"PRC government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Han Kun Law Offices, the legal advisers to our Company as to the laws of the PRC
"[**REDACTED**] Investments"	the [**REDACTED**] investments in our Company undertaken by the [**REDACTED**] Investors, details of which are set out in the subsection headed "History, Reorganisation and Group Structure – [**REDACTED**] Investments"
"[**REDACTED**] Investors"	Mr. Ren, Mr. Siu Waiyuen, Mr. Ng Ho Man and Mr. Chen Chien-Ming

"[**REDACTED**] Share Option Scheme"	the share option scheme approved and adopted conditionally by our Shareholders on [●], the principal terms of which are summarised in the subsection headed "Statutory and General Information – D. [**REDACTED**] Share Option Scheme" in Appendix IV to this document
	[**REDACTED**]
"Principal Share Registrar"	[**REDACTED**]
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of the Group in preparation for [**REDACTED**] described in the subsection headed "History, Reorganisation and Group Structure – Reorganisation"
"RMB" or "Renminbi"	Renminbi, the lawful currency of the People's Republic of China
"SAFE"	the State Administration for Foreign Exchange of the People's Republic of China (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration of Market Regulation of the People's Republic of China (中華人民共和國市場監督管理總局) (formerly known as the State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局))
"SAT"	the State Administration of Taxation of the People's Republic of China (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Kangrong"	山東康榮環保科技有限公司 (Shandong Kangrong Environmental Protection Technology Limited*), a limited liability company established under the laws of the PRC on 1 September 2017, which is jointly owned by Teng Huaiyan and Teng Zhaoyue as at the Latest Practicable Date and is an Independent Third Party save for its interest in Weierneng Environmental
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of HK$0.01 each (before the Share Consolidation) or HK$0.05 each (after the Share Consolidation), where the context requires
"Share Consolidation"	the consolidation of every five Shares of a par value of HK$0.01 each in the authorised (whether issued or unissued) share capital of our Company into one Share of a par value of HK$0.05 each on 26 January 2018 described in the subsection headed "History, Reorganisation and Group Structure – Reorganisation – (7) Loan capitalisation issue and share consolidation"
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Xinnengji"	深圳新能極科技有限公司 (Shenzhen Xinnengji Technology Limited*), a limited liability company established under the laws of the PRC on 24 November 2016 and an indirectly wholly owned subsidiary of our Company
"[**REDACTED**]", "[**REDACTED**]", "[**REDACTED**]" and "Sole Sponsor"	BOCI Asia Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
"sq.m."	square metre
"Stabilising Manager"	BOCI Asia Limited
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buybacks issued by the SFC and as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	the U.S. dollar, the lawfully currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Weierneng Environmental"	威爾能環保科技(蘇州)有限公司 (Weierneng Environmental Protection Technology (Suzhou) Limited*), a limited liability company established under the laws of the PRC on 25 July 2018 and an indirectly non-wholly owned subsidiary of our Company, which is owned as to 51% by Shenzhen Xinnengji and 49% by Shandong Kangrong
"WeiGang Environment"	WeiGang Environment Limited 維港環境有限公司, a company incorporated in the BVI with limited liability on 11 May 2017, formerly known as "GOLD CONTROL LIMITED 金懿有限公司" and a wholly owned subsidiary of our Company
"Weigang Green"	Weigang Green Technology Limited 維港綠色科技有限公司, a company incorporated in the BVI with limited liability on 8 June 2017, which is wholly owned by Mr. Cai and is a Controlling Shareholder

"Weigang Holdings (BVI)"	WEIGANG HOLDINGS LIMITED 維港控股有限公司, a company incorporated in the BVI with limited liability on 13 October 2015, which is directly wholly owned by Mr. Cai and a connected person of our Company
"Weigang Holdings (Hong Kong)"	WEIGANG HOLDINGS (HONG KONG) LIMITED 維港控股(香港)有限公司, a company incorporated in Hong Kong with limited liability on 19 June 2016 and a wholly owned subsidiary of our Company
"WeiGang Technology"	WeiGang Technology Limited 維港科技有限公司, a company incorporated in the BVI with limited liability on 3 January 2017, formerly known as "First Jump Inc. 先越有限公司", which is indirectly wholly owned by Mr. Cai through Weigang Green and is a Controlling Shareholder
	[**REDACTED**]
"Xinjiang"	the Xinjiang Uygur Autonomous Region of the People's Republic of China
"Xinjiang Wosen"	新疆沃森環保科技有限責任公司 (Xinjiang Wosen Environmental Protection Technology Limited*), a company established as a limited liability company under the laws of the PRC on 17 November 2011 and an indirectly wholly owned subsidiary of our Company
	[**REDACTED**]
"%"	per cent

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "*" and the Chinese translation of company names in English which are marked with "*" is for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with our business or us. These terms and their given meanings may not correspond to industry standard definitions or usage of these terms.

"°C"	Celsius degree for measuring temperature
"bottom ash"	a form of ash produced in and discharged from incineration facilities
"centralised hazardous waste incineration treatment facilities"	facilities for the centralised treatment of hazardous waste from a variety of sources the operation of which must be licensed by the relevant authorities
"combustion"	a high-temperature exothermic redox chemical reaction between a fuel (the reductant) and an oxidant, usually atmospheric oxygen, that produces oxidised, often gaseous products, in a mixture termed as smoke
"comprehensive treatment"	treatment of a variety types of solid waste adopting one or more of the different treatment methods
"DB65/T 3998-2017 Standard"	the pollution control requirements for comprehensive utilisation of oil and gas field oily sludge (油氣田含油污泥綜合利用污染控制要求) issued by the Department of Environmental Protection of Xinjiang Uygur Autonomous Region of China
"dioxin"	chemical compounds belonging to the family of polychlorinated dibenzo-p-dioxins (PCDD) and the family of polychlorinated dibenzofurans (PCDF) which are carcinogenic to human, and are formed when chlorine-containing organic substances (such as polyvinyl chloride) are burned, it is a by-product of various industrial process and is commonly regarded as a highly toxic compound that is an environmental pollutant and persistent organic pollutant
"EU2000/76/EC Standard"	directive 2000/76/EC of the European Parliament and of the Council of 4 December 2000 on the incineration of waste, to limit the critical loads and levels of certain pollutants

"flue gas"	the gas exiting to the atmosphere via a flue, which is a pipe or channel for conveying exhaust gases from a fireplace, oven, furnace, boiler or steam generator, which generally consists of mostly nitrogen derived from the combustion of air, carbon dioxide, water vapour, as well as excess oxygen
"fly ash"	a combustion product composed of fine particles that are driven out of incineration facilities with the flue gases
"GB18484-2001 Standard"	the pollution control national standard of the PRC for hazardous waste incineration (中華人民共和國危險廢物焚燒污染控制國家標準)
"HCL"	hydrogen chloride, highly corrosive and toxic gas, which has a choking and pungent smell, under normal conditions
"incineration"	high-temperature oxidative decomposition of inflammable solid waste with the chemical reaction of oxygen through incineration of the inflammables of the solid waste in the incinerator for detoxication, and involves the combustion of organic substances contained in waste materials which converts the solid waste into ash, flue gas and heat
"landfill"	a common solid waste disposal method which requires relatively little investment and is able to process all types of solid waste and is widely adopted from waste landfill to sanitary landfill
"m^3"	cubic metre(s)
"mg"	milligram, a unit of mass, 1,000 mg equals 1 gram
"municipal solid waste"	household waste, sanitary waste, business waste and municipal waste from the day-to-day operations in a city or a town, the components of which primarily include slag, cooking residue, peel, plastic, fallen leaves, fabrics, lumber, glass, porcelain, leather and paper as well as a small amount of batteries and medical packaging materials such as aluminium, SP composite membranes/bags and rubber

"National Catalogue of Hazardous Waste"	national catalogue of hazardous waste (國家危險廢物名錄), originally published in 2008 and revised in 2016 by MEE
"ng"	nanogram
"NOx"	nitrogen compound, one of the main pollutants generated from combustion of fossil fuels, mainly includes nitric oxide and nitrogen dioxide
"organic resins waste"	hazardous chemical wastes consisting of organic compounds
"organic solvent waste"	hazardous chemical wastes consisting of carbon-based solvents
"PCBs"	polychlorinated biphenyls, an organic chlorine compound that has environmental toxicity and is classified as a persistent organic pollutant
"pyrolysis"	a thermochemical decomposition of organic material at elevated temperatures in the absence of oxygen (or any halogen) which involves the simultaneous change of chemical composition and physical phase and is irreversible
"self-built hazardous waste incineration treatment facilities"	facilities that are built and generally operated by manufacturing factories for the treatment of hazardous waste generated from their daily production
"SNCR"	selective non-catalytic reduction, one of the mainstream deNOx technologies, where amino reductant, such as NH_3 or carbamide, selectively restore the NOx in the flue gas under 800 to 1250°C in the boiler, without any reaction with oxygen
"SOx"	sulphur and oxygen compound, one of the main pollutant generated from the combustion of fossil fuels, mainly includes one or more of sulphur monoxide, sulphur dioxide, lower sulphur oxides and higher sulphur oxides
"SO_2"	sulphur dioxide, one of the main pollutants generated from combustion of fossil fuels

GLOSSARY OF TECHNICAL TERMS

"syngas"	a fuel gas mixture consisting primarily of hydrogen, carbon monoxide, and very often some carbon dioxide, which may be a by-product from the pyrolysis process
"TEQ"	toxic equivalent quality, the expression of the toxicity of a mixture of dioxins and dioxin-like compounds
"thermal desorption"	an environmental remediation technology that utilises heat to increase the volatility of contaminants such that they can be removed or separated from the solid matrix (typically soil, sludge or filter cake)
"tonne"	a unit of mass, equals to 1,000 kilograms

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements related to events that involve known and unknown risks, uncertainties and other factors, including those described in the section headed "Risk Factors", which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- the business opportunities that we may pursue;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business; and
- certain statements in the section headed "Financial Information" in the document with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words "aim", "anticipate", "believe", "likely", "could", "should", "ought to", "estimate", "expect", "forecast", "intend", "going forward", "may", "plan", "seek", "will", "would", "assuming", "project", "potential" and the negative of these terms and other similar expressions, as they related to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- changes in domestic market and business conditions as well as industry trends related to our operations;
- changes in regulatory environment which are relevant to the business and operations of our Group, our customers and our suppliers;
- changes in our customers' demands and business performance;
- changes in the competitive landscape of our industries;
- introduction and implementation of new or different laws and regulations in the areas we operate in;
- our ability to obtain adequate capital resources to fund future expansion plans;

- our ability to successfully implement our business plans, strategies, objectives and goals;
- our ability to protect our technologies, knowhow, patents, brand, trademarks or other intellectual property rights;
- development in technology and our ability to successfully keep up with technological advancement;
- our ability to attract and retain technical professionals and other qualified employees and key personnel;
- changes in currency exchange rates; and
- the other risk factors discussed in this document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section, as well as the risks and uncertainties discussed in the section headed "Risks Factors".

Investing in the Shares involves certain risks. You should read this document in its entirety and carefully consider each of the risks described below and all of the other information contained in this document before deciding to purchase the Shares. If any of the following risks materialises, our business, financial condition and results of operations could be materially and adversely affected. The [**REDACTED**] *of the Shares could decline and you may lose all or part of your investment.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The development of our industries is highly dependent on the PRC government's environmental protection policies, which may change from time to time.

The PRC government has promulgated a series of laws and regulations and adopted preferential policies to support the development of the PRC environmental protection industry. We benefit directly and indirectly from many laws, regulations and policies, and governmental subsidies. More stringent requirements for pollution control and intensified enforcement of environmental compliance have indirectly encouraged the demand for hazardous waste treatment services.

Although the PRC government has stated its intention to increase environmental protection related investment and enforcement going forward, and named building an eco-friendly society as one of its core goals for the 13th Five-Year Plan, we cannot assure you that the favourable laws, regulations, and policies which we currently benefit from will be maintained, become more favourable or continue to exist at all. We cannot predict how and to what extent any increased investment will affect the environmental protection industry as a whole or any sub-segments, including the solid waste treatment segment in which we operate. Therefore, you should not regard the PRC government's intentions or announcements as an indication of the future prospects of our industries or our future performance as we may not directly or indirectly benefit from any future amendments to the relevant laws or regulations, or changes to governmental policies. In the event of any changes to laws, regulations or government policies, if we cannot respond effectively and in a timely manner, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to adapt to rapidly changing technologies in a timely manner, or at all.

Our continued success and competitiveness depend on our ability to adapt to rapidly changing technologies. Our solutions rely heavily on solid waste treatment technologies, as different types of solid waste require different treatment processes which involve multiple methods and technological applications. Suitable treatment technologies are critical for ensuring safety, efficiency and minimum environmental impact. During the Track Record Period, we primarily relied on the rotary kiln incineration technology and we are also expanding our solid waste treatment solutions through the development and utilisation of the pyrolysis technology and oil sludge thermal desorption technology. These technologies are subject to continuous evolution and changes, and we cannot assure you that we will be able to keep up with changes in technological advancements in a timely manner or at a reasonable cost.

Moreover, changes in governmental regulations and industry standards may impose more stringent performance or environmental requirements with respect to operating efficiency, emissions and discharge which may require us to adopt new technologies, perform equipment upgrades, or improve our existing technologies. Such changes could require substantial investments and increase our cost of services and expenses. We may need to conduct a series of modifications and upgrades on any obsolete equipment, backlog, and hidden defects when providing solutions to our customers so that projects undertaken by us could comply with various emission, discharge, health and safety, and other environmental standards. We may adopt advanced technologies, including mature technologies available overseas, that turn out to be not suitable or optimal for us due to unexpected compatibility issues with respect to the characteristics of the solid waste or practices in the regions where the projects locate, or we may have to invest in research and development and solution design efforts to test, modify and customise such technologies for local conditions. If we fail to adapt to these changes in technologies and our business operations, we may not be able to maintain or improve our competitive position, which will have a material adverse impact on our business, financial condition, results of operations and prospects.

Our business could be materially and adversely affected if we are unable to maintain our relationships with major customers or to attract new customers.

For the years ended 31 December, 2015, 2016 and 2017 and the six months ended 30 June 2018, our five largest customers accounted for 100.0%, 100.0%, 98.9% and 97.7% of our total revenue, respectively, and our largest customer accounted for 79.2%, 93.9%, 71.4% and 37.4% of our total revenue for the respective years. We generally do not enter into long-term agreements with our customers, including our major customers during the Track Record Period. Our customers may reduce or cease to engage us for providing solutions and services at any time in the future. There is no guarantee that our existing or future agreements with customers can be negotiated on terms and prices equivalent to or better than the current terms and prices. If any of our major customers were to substantially reduce their business engagements or terminate their business relationship with us and we are unable to develop new customers on a timely basis and with similar terms, if at all, our business and results of operations would be materially and adversely affected. Moreover, there may be risks that our customers may suspend or terminate a project due to, among other reasons, changes in its business plan or insufficient funding, and our customers may also change project work scope or increase additional requirements during the course of a project to which we have devoted relevant resources. If such events occur, our business operation and financial condition may be adversely affected.

In addition, we have concentration of credit risk as 82%, 75%, 72% and 86% of the total trade and note receivables was due from our five largest customers as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. Therefore, if any of our major customers defaults on payment during the course of a project to which we have incurred large cost of services, our business operations and financial conditions may be adversely affected.

We derived a substantial portion of our revenue from Dongjiang Group during the Track Record Period. Any decrease in our sales to Dongjiang Group or any adverse changes in its business or financial condition could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we derived a substantial portion of our revenue from Dongjiang Group, especially for our provision of solutions for hazardous waste incineration. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, our revenue from Dongjiang Group amounted to in aggregate RMB59.3 million, RMB83.5 million, RMB135.1 million and RMB68.5 million, respectively, accounting for 79.2%, 93.9%, 71.4% and 37.4% of our total revenue, respectively. For details, see "Business – Sales and Customers – Business Relationship with Dongjiang Group".

We therefore relied substantially on Dongjiang Group for our business and results of operations during the Track Record Period. We cannot assure you that we will be able to maintain or improve our relationships with Dongjiang Group, or that we will be able to continue to provide services to it at current levels, or at all. If for any reason Dongjiang Group discontinues or significantly reduces its procurement of services from us and we are unable to identify new customers in a timely manner and with comparable terms, or at all, or expand successfully into other businesses, we may have difficulties in maintaining our business scale and profitability at their current levels and our business and results of operations could be materially and adversely affected. We have concentration of credit risk as 53%, 70%, 71% and 40% of the total trade and note receivables was due from Dongjiang Group as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. Any adverse changes in the business or financial condition of Dongjiang Group, including the downsizing of its hazardous waste incineration business, or any liquidity problems, restructuring, bankruptcy or liquidation, may result in a higher level of credit and/or operational risk to us, which could have a material and adverse effect on our business prospects, financial condition and results of operations. Moreover, any major changes in the business directions or focus of Dongjiang Group, or any major changes in its senior management, may lead to adverse changes in its existing business and business relationships with us, which may in turn have an adverse effect on our business prospects and results of operations.

We may not be successful in obtaining new projects on commercially acceptable terms, or at all.

Our customers select and engage us as a supplier to provide solid waste treatment solutions. Their selection process and procurement decisions are subject to internal evaluation criteria which are affected by a number of factors such as their own business needs, technological and compliance requirements, financing arrangements, business relationship with and qualifications of the suppliers, many of which are out of our control. It is uncertain whether we will be selected by our customers for their future projects, nor can we assure you that we will always remain on any shortlist of suppliers for our existing customers.

Our customers may from time to time invite us to participate in bidding or negotiation process for new projects. As we sell and deliver solid waste treatment solutions on a project basis, our business is dependent on our ability to continually maintain competitive proposals and successfully secure engagements for new projects. we need to negotiate with customers

regarding commercial terms for such engagements and may face competition from other companies providing similar services as ours. The number and value of projects that we are able to obtain may fluctuate from year to year and we cannot assure you that we will be able to continue to obtain new projects on terms commercially acceptable to us or that the new projects will be profitable at current levels, or at all. If we are unable to obtain new projects for our business expansion, our financial condition and results of operations could be materially and adversely affected.

Our backlog is subject to unexpected adjustments and cancellations and may, therefore, not be indicative of our future operating results.

Backlog data included in this document, such as contract value to be delivered, represents our estimate of the contract value of work that remains to be completed as at a certain date. See "Business – Solid Waste Treatment Projects". Backlog is not a measure defined by generally accepted accounting principles and backlog may not be indicative of future operating results. The contract value of a project represents the amount as at the relevant date we expect to receive assuming our performance is in accordance with the terms of the contract. For instance, the contract value to be delivered for our hazardous waste incineration projects amounted to approximately RMB570.2 million as at 30 June 2018. We cannot guarantee that the revenue projected in our backlog will be realised or the related contracts will be profitable. Our contracts generally do not require our customers to purchase a minimum amount of services or products and are subject to modification or termination by customers on a short notice. Project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog and could reduce the amount of our backlog and the revenues and profits that we actually earn. In addition, projects may be delayed due to various reasons, including but not limited to change of solution designs and an extended process to obtain necessary approvals by the relevant customer, which will prolong our recognition of revenue in the backlog. As a result, you should not rely on our backlog information presented in this document as an indicator of our future earnings.

Our business is subject to seasonality due to holiday seasons.

We typically record lower revenue for our hazardous waste incineration business during the first quarter every year due to the Chinese New Year holiday. Production at factories or construction work in China tends to slow down for at least four weeks, or even completely shutdown, before and after the Chinese New Year holiday. In this vein, our equipment and materials suppliers and contract manufacturers often are not operating during those holidays. Therefore, we generally experience a decrease in our provision of services during these periods and an increase in our business for the periods prior to and after the holidays. For example, according to our management account, the first three months represented approximately 0.04%, 2.79% and 1.20% of the total revenue of our hazardous waste incineration business for each of 2015, 2016 and 2017. Accordingly, the results of any prior quarterly periods should not be relied upon as an indication of our future annual operating performance for our hazardous waste incineration business, or any future business of similar nature.

The design, integration and commissioning of solid waste treatment systems and projects are subject to project execution risks.

Our business is subject to inherent project execution risks which may be beyond our control, including but not limited to:

- delays in deliveries of equipment or materials;
- unavailability of skilled workforce and competent management to carry out the project on time;
- suspension or termination of a project by the customer due to, amongst other reasons, changes in its business plan, insufficient funding or dissatisfaction with our services or the progress of the project;
- change of project work scope or request for additional requirements by the customer during the course of a project;
- unforeseen engineering, design or environmental problems and unanticipated cost increases;
- delays in receiving requisite approvals, licences or permits for the project;
- work strikes and labour disputes.

Any material disruptions to our operations or failure to timely complete our work according to the customer's specifications and requirements due to these factors or otherwise may negatively affect our ability to complete a project or result in delays or cost overruns in the delivery of our services. In the event of a delay, the customer may be entitled to receive liquidated damages as stipulated in the contract or to terminate the contract. If the project is delayed or terminated, we may not be able to receive the full contract amount. For instance, our hazardous waste incineration project in Suzhou was terminated due to default of contract by our counterparty and ceased to contribute revenue in 2016. For further details, see "Business – Solid Waste Treatment Projects". We cannot assure you that such terminations or similar events will not happen in the future with respect to our projects. Any of such events could materially and adversely affect our business, financial condition and results of operations. Moreover, in the event that there is a dispute between the customer and us over the charges for alteration of the project work scope or any additional requirements, we may be required to bear part of the additional costs and our profitability for the project will be reduced. Any of these events could materially and adversely affect our business and our financial condition and results of operations.

We may not be able to successfully achieve or manage the growth of our solid waste treatment solutions business and our historical expansion and results of operation may not be indicative of our future performance.

We have and will continue to invest substantial resources in developing our solid waste treatment solutions business, in particular, those other than hazardous waste incineration, including for the development of the pyrolysis technology, oil sludge thermal desorption and

cement plant parallel kiln co-treatment solutions. We expect the intended development of these solutions and technologies will continue to draw considerable amount of our resources. If we are unable to manage and support our intended development of these solutions and technologies, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressure. To successfully manage and support our intended development and achieve our intended growth to strengthen our solid waste treatment solutions, we believe we must effectively:

- invest in developing or acquiring research and development as well as solution design capabilities for various solid waste treatment applications;
- hire, train, integrate and manage additional qualified engineers, senior managers and market development personnel with relevant industry experience or expertise;
- implement additional, and improve existing, administrative and operations systems, procedures and controls;
- establish and manage our business relationships with new customers and suppliers; and
- manage our financial condition and allocate resources to address future demand for different solutions and services.

As we further develop our solid waste treatment solutions, we may also encounter new competitors who may offer solutions comparable to ours with better quality or on a more cost-efficient basis. If we are unable to manage our growth or compete effectively for our solid waste treatment solutions business, our business, financial condition and results of operations will be adversely affected.

Our business had expanded during the Track Record Period primarily due to the development and utilisation of our hazardous waste incineration solutions. As we are currently developing other types of solid waste treatment solutions the applications of which may face uncertainties and some of them may have different project model and/or revenue recognition model than our existing business, we cannot assure you that the utilisation of such technologies will help promote our business at expected pace in the future. There may be risks that the solutions that we are developing may cost considerable financial and human resources, and may not have sufficient market demand or otherwise yield the expected results. In particular, we plan to apply approximately [**REDACTED**]% of the total estimated [**REDACTED**] from the [**REDACTED**] for the continual utilisation of the pyrolysis technology for the treatment of various types of solid waste. For details, see "Future Plans and [**REDACTED**] – [**REDACTED**]". However, in terms of treatment volume, the pyrolysis treatment currently only accounts for less than 0.01% of the total treatment volume of solid waste in China, according to Frost & Sullivan. Given that the pyrolysis technology is at an early development stage for treatment of solid waste with relatively minimal market share in China, there is uncertainty as to whether there would be sufficient market demand in this field. We cannot assure you that our utilisation of the pyrolysis technology and future projects undertaken would

yield the expected result or develop at expected pace. There can be no assurance that we will be able to increase or maintain our historical revenue or profit levels and our historical results of operation may be of limited value in assessing our future performance, particularly with respect to these newly-commercialised solutions.

We may not be able to compete effectively in our industry.

We are a leading comprehensive hazardous waste incineration turnkey solution provider in China. According to Frost & Sullivan, we were the largest solution provider in China in 2017 with a market share of 19.8% in terms of revenue from providing solutions for centralised hazardous waste incineration. We generally compete with these solution providers and other major competitors are the hazardous waste treatment facility operators who employ incineration or competing technologies in the markets for provision of hazardous waste treatment solutions. Competition is likely to intensify in the future as existing competitors introduce, and new competitors may emerge with, newer and better technologies or solutions. Many of our existing and potential competitors have longer operating histories and more resources than we do. These provide them with competitive advantages and enable them to invest more resources than us in sales and marketing and solutions development to respond to technology advancement and changes in customer requirements. The hazardous waste treatment facility operators may also expand their business to provide the design, integration and commissioning services by establishing or further developing their internal research and development and solution design teams. Our market position depends on our ability to anticipate and respond quickly to various competitive factors, including the introduction of new or improved solutions by our competitors, pricing strategies adopted by our competitors and changes in our customers' preferences. Failure to compete effectively could result in a decrease in our market share and revenue and could materially and adversely affect our financial condition and results of operations.

We may incur increasing compliance costs to comply with applicable laws, regulations or standards relating to our operations.

The nature of our business requires us to comply with applicable government policies, laws, regulations and industry standards relating to our operations. Such regulations cover a wide variety of matters, including but not limited to labour regulations, social insurance and occupational safety. In addition, the PRC government may impose stricter standards and regulations in the future, which may require replacement or upgrade of our current system or operations. Any increase in compliance or other operating costs resulting from the implementation of additional measures and/or failure to comply with new laws or regulations may increase our compliance costs and could have an adverse effect on our business, financial condition, results of operations and prospects.

Failure to maintain an effective quality control system may have a material adverse impact on our business.

We believe the capability to provide high-quality solid waste treatment solutions is one of our key competitive advantages. Thus, the effectiveness of our quality control system is of utmost importance to our customers. This requires us to adopt a stringent quality control system and to invest capital and human resources to ensure that every step in implementing the quality control system is being strictly monitored. If we are unable to maintain or implement our quality control system effectively, we may suffer a decrease in demand for our solutions and become less competitive in our market. Furthermore, we may risk providing solutions that are faulty, unsafe or ineffective, which could cause us to be liable to various liability claims or litigation, and our reputation and our business prospects could be materially and adversely affected.

We have been granted the certificate of conformance for our quality management system, environmental management system and health and safety management system, which conform to the standards of ISO9001, ISO14001 and OHSAS18001, respectively, for our application in solution design, integration and commissioning of solid waste treatment systems. These certifications signify that our operations meet the benchmark quality standards and we believe they are critical to the provision of our solutions and services. These certifications will expire in October 2021 and we will need to apply for renewal. There is no assurance that renewal for such certifications would be successful. In the event that we do not obtain or renew any of such certifications, our ability to market our solutions may be impaired. As a result, our business, financial condition and results of operations may be adversely affected.

We may experience delays or defaults in accounts receivables by our customers.

Our accounts receivables mainly consist of progress payments. Our project contracts typically provide for progress payments from customers with reference to the value of work completed at specific milestone dates. Our customers generally pay us an advance equal to 10% to 15% of the total contract value, and once the project reaches a certain stage as specified in the relevant contract, we are expected to be paid on a progressive basis. As a result, we may be required to commit cash and other resources to projects prior to receiving additional payments from customers to cover certain expenditures on the projects as they are incurred. In addition, upon the completion of a project, an amount equal to 5% to 10% of the contract price is usually retained by our customers and will generally be released after the guaranteed warranty period expires.

As at 30 June 2018, our gross trade and note receivables amounted to RMB103.6 million. Delays in accounts receivables from our customers may increase our working capital needs. If a customer defaults in making its payments on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes significant time and financial and other resources, and the outcome is often uncertain. In general, we make

provisions on impairment losses for trade and note receivables on an individually – determined basis which based primarily on the likelihood of collectability and other factors such as special circumstances relating to specific customers or an individual credit rating assessment basis using a provision matrix with appropriate groupings. Our balances of allowance for impairment for our trade receivables made on an individually-determined basis amounted to RMB3.6 million, RMB3.7 million, RMB4.3 million and RMB1.1 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, which were related to certain of our hazardous waste incineration, technical upgrading and maintenance projects. Other than those individually impaired, we grouped our remaining trade receivables as at 30 June 2018 and made impairment provisions of RMB1.2 million based on an individual credit rating assessment which has different estimated loss rate. There can be no assurance that such allowance for impairment will not be made by us for any existing or future projects or the accounts receivables will be remitted by our customers to us on a timely basis or at all or that we will be able to efficiently manage the level of any bad debts arising from such payment practice.

Our continued growth depends on our research and development capabilities, which may not yield expected results.

We have continuously invested in the research and development of new solutions to maintain the growth of our business. The process of developing new solutions and services is inherently complex and involves significant uncertainties and the research and development activities may not yield the expected outcomes. For instance, our research and development efforts may fail to translate new development plans into commercially feasible solutions and our new technologies and solutions may become obsolete due to rapid technological advancements and other competing technologies as well as changes in customer preferences and market reception. If we fail to introduce new technologies or solutions to meet the evolving needs of our customers, we may be unable to compete effectively in the solid waste treatment market in China. In addition, we may fail to successfully establish our research and engineering centre or employ qualified technical personnel. We may incur increasing research and development expenses or may not have adequate funding and resources necessary for continual investments in research and development. Any significant increase in our research and development expenses may adversely impact our profitability in the short term. If any of these abovementioned events occurs, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business could be materially and adversely affected if we are unable to maintain our relationships with major suppliers.

Our suppliers primarily consist of (i) vendors of equipment and materials, and (ii) sub-contractors engaged by us, for the installation and construction of the projects commissioned by us. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, purchase from our five largest suppliers for the Track Record Period, which were primarily contract manufacturers and equipment and materials vendors, amounted to RMB21.7 million, RMB27.5 million, RMB45.4 million and RMB47.1 million, respectively, accounting for 45.1%, 45.7%, 35.7% and 34.1% of our cost of services,

respectively, and purchase from our largest suppliers for the Track Record Period, which were two contract manufacturers and one equipment vendor, amounted to RMB7.6 million, RMB9.4 million, RMB11.6 million and RMB16.8 million, respectively, accounting for 15.7%, 15.7%, 9.1% and 12.1% of our cost of services, respectively.

If we are unable to maintain our relationships with any of our major suppliers or if any of them otherwise ceases to supply equipment or materials, or provide services to us on the same or similar terms, or at all, such changes may result in delays to our projects, which could negatively affect our reputation and results of operations. In addition, replacing a supplier may require that we divert attention and resources away from our business. If we are unable to identify suitable replacement suppliers in a timely manner, or at all, our business and results of operations could be materially and adversely affected.

We engage third-party vendors and may not be able to ensure a stable and adequate supply of equipment and materials on commercially acceptable terms, in satisfactory quality and in a timely manner.

Our operations require that we rely on reliable and adequate sources of equipment and materials from a diverse number of vendors to support our business operations. Some of the equipment and materials we source are application-specific equipment which needs to be tailor-made based on our specific product requirements. Our cost of equipment and materials accounted for 77.3%, 75.5%, 79.5% and 85.5% of our total cost of services for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

We maintain a list of qualified suppliers from which we procure equipment and materials. However, we may not be able to monitor the manufacturing performance of these suppliers as directly and efficiently as with our own staff, and qualified suppliers may not always be readily available when our needs for procurement arise. If the supplier's performance does not meet with our quality standards, the quality and functionality of our solutions and systems could be compromised, which could in return harm our reputation and potentially expose us to increased costs, claims and litigation and our business and results of operations could be materially and adversely affected.

In addition, our suppliers may from time to time experience manufacturing disruptions and/or longer lead times, resulting in reduced output, increased unit cost and potential delays. In particular, some of the application-specific equipment we source may be technically more complex to produce and may require longer lead times than general use equipment due to incorporation of our equipment design. If we fail to purchase application-specific equipment that are technically suitable for our solutions, or if we cannot maintain a stable supply of such equipment on a timely basis, our business and results of operations could be materially and adversely affected.

Moreover, our purchase prices of equipment and materials as agreed with suppliers may be subject to adjustment pursuant to commercial negotiation and upon changing market conditions. The prices of our purchased equipment and materials generally increased during the Track Record Period and there can be no guarantee that the prices of such equipment and materials will not increase in the future. If we are required to source such equipment and materials at a higher price than anticipated and are not able to pass on all the increases in the procurement cost to our customers, we may incur additional costs and our business and results of operations could be adversely affected. For details of the sensitivity analysis illustrating the impact of our cost of equipment and materials on our profit for the year or period during the Track Record Period, see "Financial Information – Description of Selected Consolidated Statement of Profit or Loss Line Items – Cost of Services".

We rely on sub-contractors to provide construction and other engineering services for our projects.

We primarily engage sub-contractors, such as contract manufacturers, for the installation and construction of our projects. Our sub-contracting fees accounted for 19.4%, 18.5%, and 15.5% and 10.4% of our total cost of services for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

There can be no assurance that such sub-contractors will be able to complete the construction in a timely and cost-effective manner and in accordance with the project design and specification. If, for any reason, one or more of our sub-contractors that we rely upon cease or reduce to provide services to us, or delivers services that does not meet our specification,or at prices that are not competitive or not expected by us, we may not be able to identify alternate sub-contractors in a timely manner and on commercially reasonable terms, if at all. Our ability to meet customer requirements may be impaired, our operations and project schedules may be affected, and any construction delays or defects caused by such sub-contractors could result in our higher operating costs, loss or delayed receipt of payments from our customers, reduced cash flows, or even breach or termination of contracts with our customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may experience cost overruns for the undertaking of our projects.

As we are a turnkey solution provider for solid waste treatment systems, we generally procure projects based on our estimates of, amongst other things, the total cost required for completing the project. As such, our profitability depends on our ability to source equipment and materials, procure sub-contracting services and implement the project at or below our estimated costs. There can be no assurance that our actual project costs will not exceed the estimated costs, resulting in cost overruns and a negative impact on our profitability. Cost overruns may occur anytime in the process of the project due to unanticipated increases or underestimation of costs, project delays, altered and/or additional customer requirement, wastage, damage or errors made. If we experience substantial cost overruns for our projects, our financial condition and results of operations could be materially and adversely affected.

The commissioning of solid waste treatment systems and projects are subject to inherent safety and other risks.

Due to the nature of our business, we hire sub-contractors to engage in certain inherently hazardous activities, including the use of heavy machinery and working with hazardous waste and flammable and/or explosive materials, while our employees would manage and supervise such sub-contracting work at project sites. The construction of our projects involve safety risks and hazards, such as improper installation of equipment, equipment failure, weather interferences, natural disasters and industrial accidents. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, and environmental damage and pollution, any of which could result in suspension of our services, payment of compensation or even imposition of administrative or criminal penalties which could in turn cause us to incur costs for compensation that exceed our insurance coverage, if any, as well as damage to our reputation. Most of the injuries and damages incurred during the sub-contracting work could be owed to the sub-contractors, while we might also be responsible if we fail to comply with any applicable laws and regulations or to perform specific contractual obligations. We cannot assure you that we will be able to prevent the occurrence of environmental or safety incidents at our project sites or to remain in compliance with all applicable safety requirements and standards. Any material safety incidents or non-compliance, including but not limited to the above events, may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to substantial costs related to product warranties and potential disputes and legal claims on product liability.

We may face claims by our customers in respect of defects, poor workmanship or non-conformity to our customers' specifications in respect of the solid waste treatment solutions and services provided by us. We typically provide a warranty period of one to two years commencing from the delivery of our solutions to our customers. Due to the length of the warranty period provided by us, we may be subject to claims from our customers and we may incur additional costs if rectification work is required for us to satisfy our obligations during the warranty period and we may make provisions for these costs in our operations. There is no assurance that we will not make such warranty provisions in the future or that our warranty provisions will be sufficient to cover the costs incurred for defects. If the cost of any rectification work and the amount of any warranty claims exceed the warranty provisions we have made, our business, financial condition and results of operations may be adversely affected. Further, in respect of those defects which have caused loss or damage to our customers, we may be subject to claims from them beyond the warranty period. In the event that our customers lodge claims against us for recovery of such loss and damage, our reputation, operation and financial conditions may be adversely affected.

We currently do not maintain comprehensive product liability insurance. For any defects or product claims against us that are attributable to our suppliers, we have the right to recourse against such suppliers for product liability within their product warranty period. However, there is no assurance that we will be able to make a claim against such suppliers successfully

or it will be sufficient to cover any future product liability claim against us. In the event that we have to defend any future product liability claim, we may, regardless of the merit or eventual outcome of such claim, incur substantial expenses and resources in the process. In addition, a product liability claim or any obligation imposed on us to indemnify or compensate customers for any damage or loss that they may suffer could have a material adverse impact on our reputation and our financial condition and results of operations.

There is a mismatch between our revenue and the underlying cash flows for our projects.

Our project contracts typically provide for progress payments from customers with reference to the value of work completed at specific milestone dates. Once the project reaches a certain stage as specified in the relevant contract, we are expected to be paid a specific portion of the contract value provided in the project contracts on a progressive basis. Meanwhile, our revenue from a project is generally recognised based on the stage of completion of the contract which is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract cost for the project. For details on our revenue recognition, see "Financial Information – Critical Accounting Policies – Revenue Recognition". Therefore, while revenues are recognised during the course of our projects based on our accounting policy, we may not receive cash payments to correspond with such revenue and there is a mismatch between our revenue recognised and the underlying cash flows for our projects. Moreover, our customers may, in whole or in part, delay or even default in making such payments due to us as a result of internal approval process, extended acceptance procedure of the completed work, any funding difficulties or any other reasons which may be out of our control. In such case, we may need to recognise impairment or write-offs in the subsequent period for the related accounts receivables from customers. When reviewing our business, financial condition and results of operations, you should read our financial statements in light of the mismatch between our revenue and the underlying cash flows for such progressive payments in assessing our historical performance and prospects.

We had net operating cash outflow from our operating activities for the year ended 31 December 2016 and the six months ended 30 June 2018 and our business and financial condition could be materially and adversely affected if we fail to maintain effective cash flow management.

We had net cash inflow from operating activities of approximately RMB9.5 million and RMB29.8 million for the years ended 31 December 2015 and 2017, respectively. We recorded net cash outflow from operating activities of RMB7.6 million for the year ended 31 December 2016 and RMB60.7 million for the six months ended 30 June 2018. For further details, see "Financial Information – Liquidity and Capital Resources – Cash Flows from Operating Activities".

While we have in the past financed our working capital needs primarily with our cash at banks and net cash generated from operating activities, we cannot assure you that we will always be able to generate net cash from operating activities. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational

flexibility as well as adversely affect our ability to meet our liquidity requirements. We cannot assure you that we will not suffer any decline in our future working capital or experience net cash outflow in the future. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business and financial condition could be materially and adversely affected.

The preferential income tax treatment that we enjoy and the government grants that we receive in the PRC may be altered or terminated.

We cannot assure you that the PRC policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. Our PRC subsidiary Guangzhou Weigang was recognised as a "High and New Technology Enterprise" in 2016 and was entitled to a preferential PRC income tax rate of 15% for each of 2016, 2017 and 2018. We cannot assure you that Guangzhou Weigang will continue to be accredited as a "High and New Technology Enterprise" upon expiration of the relevant certificate in the future. If Guangzhou Weigang fails to renew this qualification in time or at all, or if any change or termination of preferential tax treatment occurs, the increase in our tax charge could materially and adversely affect our results of operations and financial condition.

In addition, we had during the Track Record Period received government grants which represented one-off unconditional subsidies from the local PRC government in recognition of our research and development endeavours. We cannot assure you that we will be able to obtain the one-off government grants in the future. Alteration or discontinuation of such or similar government grants, resulting from changes to the PRC laws and regulations and policies, may adversely affect our business and results of operations.

Our operations are dependent on the continuing service of our senior management and we may encounter difficulties in attracting or retaining key personnel.

Our future success depends, to a significant extent, on the continuing service of our senior management, including, in particular, Mr. Cai, our chairman and chief executive officer, who has been key to our strategic development and business operations.

Our future growth and success also depend on the continuing contribution of our key personnel for research and development, solution design, project management and technical support. Many of these key personnel are highly skilled and experienced and are difficult to recruit and replace, particularly due to the specialised technology nature of our business, the rapid development of China's solid waste treatment industry and our business plans to expand.

Competition for experienced management and personnel is intense, the pool of qualified candidates is limited, and we may not be able to retain the service of our senior management or other key personnel, or attract and retain high-quality personnel in the future. If one or more of our senior management executives or key personnel are unable or unwilling to continue in their present positions, we may not be able to find suitable replacement, or at all. The development of our new technologies and solutions as well as our overall growth prospects

could be delayed accordingly, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. We may also incur increased operating expenses and be required to divert the attention of our senior management to recruit replacement for key personnel. In addition, if any of our senior management or other key personnel joins a competitor or forms a competing business, we may lose customers, know-how and key professional or other employees, and our business and operations could be severely disrupted.

We may encounter infringement of intellectual property rights by third parties or we may face other difficulties in protecting our intellectual property rights.

We rely on intellectual property laws in the PRC and other applicable jurisdiction(s) to protect our intellectual property rights, including patents, software copyrights and trademarks. However, we cannot assure you that there will be no infringement of our intellectual property rights by third parties or that, if any infringement occurs, we will be able to effectively detect and address the problem or enforce our rights in a timely manner, or at all. Any such event could have a material adverse impact on our relationships with our customers, our reputation and our business and results of operations. Bringing legal actions to enforce or protect our intellectual property rights is time-consuming and costly and could divert significant resources and management attention. As we have registered or applied for registration of intellectual property rights only in certain jurisdictions, we may be unable to effectively prevent third parties from using our technologies, designs and trademarks in other jurisdictions. In addition, we cannot assure you that our competitors will not be able to develop other competing technologies by designing around or reverse engineering our patents, software copyrights and other intellectual property rights.

As at the Latest Practicable Date, we had 24 patents and two trademarks pending registration in the PRC. As at the Latest Practicable Date, the registration of such intellectual property rights had not yet been approved in the PRC and we had not received any notice of objection to the registration of such intellectual property rights from any other third party. However, we cannot assure you that we will be successful in registering these or any future intellectual property rights or our use of them will not infringe the intellectual property rights of any third party or otherwise violate any laws in the relevant jurisdictions. Any liability claim in relation to our use of such intellectual property rights that is made or threatened to be made against us in the future, regardless of its merits, could result in costly litigation and strain our administrative and financial resources. Any of the foregoing events could negatively affect our competitive advantage and could materially and adversely affect our business and results of operations.

Third parties may assert or claim that we have infringed their intellectual property rights.

Our competitors or other third parties may allege to own intellectual property rights and interests that could potentially conflict with ours. Moreover, these third parties may have registered similar company names or use similar trade names as compared to ours, which may cause market confusion even if they do not provide competing products or services or may give

rise to potential disputes against us for infringement of intellectual property rights. We may incur substantial costs in defending or settling such disputes and such actions could divert significant resources and management attention. If any such claim against us is successful, we may not have a legal right to continue to provide the relevant solutions and services that are found to have incorporated or used the disputed intellectual property, or to continue to market those services using the same trade name. The success of such claims may also result in an increase in our costs and expenses, including additional royalties, licencing fees or further research and development expenses to develop non-infringing alternatives, or additional marketing expenses to sell our solutions and services using a new trade name, thereby negatively affecting our profitability. Moreover, such claims, whether successful or not, may cause significant damage to our reputation and a loss of customers, as a result of which our business and results of operations could be materially and adversely affected.

We are subject to the risks of legal and other proceedings.

We may from time to time be involved in disputes with various parties involved in our business operations. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our project delivery schedule, and the diversion of resources and management's attention, regardless of the outcome. In addition, labour disputes could also disrupt our operations or our expansion plans. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decisions that result in penalties or delay or disrupt our business development and operations. In such cases, our results of operations could be materially and adversely affected.

Our insurance may not completely cover the risks related to our business.

We maintain certain insurance coverage on personal accidents for some of our employees as well as motor vehicle insurance. We also make social insurance contributions and carry basic occupational injury, medical, pension, unemployment and maternity insurance for our employees. We do not maintain any fire, liability or other property insurance covering our properties, equipment or inventories, and we do not carry any business interruption or product liability insurance or any third party liability insurance to cover claims in respect of personal injuries or any damages arising from accidents on our properties or in relation to our operations. In the event that our insurance plans do not cover certain losses, damages or liabilities or our insurance coverage is insufficient to cover our claims, our financial condition and results of operations could be materially and adversely affected. In addition, premiums of our current insurance plans are subject to adjustment upon renewal and may fluctuate from period to period. We may experience substantial increases in premiums or consequently have to reduce coverage to control costs. As a result, if we elect to discontinue or reduce coverage for any particular type of claim, we will be exposed to higher risks related to the relevant type of claim.

We may be ordered to make up unpaid contributions to the social insurance scheme and housing provident fund and we may be subject to penalties due to the insufficient contributions.

We are required to make housing provident fund and social insurance contributions for the benefit of our employees of our PRC subsidiaries under PRC laws and regulations. During the Track Record Period, certain of our subsidiaries did not make timely registrations for social insurance and housing provident funds and/or to fully make such contributions in accordance with applicable regulatory requirement. We estimated the outstanding amount of housing provident fund and social insurance contributions during the Track Record Period was approximately RMB0.7 million and RMB2.2 million, respectively, and we did not make any provisions thereto during the Track Record Period and up to the Latest Practicable Date. For details, see "Business – Employees – Social Insurance and Housing Provident Fund Contributions". Under relevant PRC laws, we may be ordered by the relevant authorities to pay the outstanding contributions within the prescribed period and may be subject to administrative penalties and fines related to the delay of such payment. As at the Latest Practicable Date, we were not aware of any complaints or demands for payment of these outstanding contributions from any employee or relevant local authority. However, we cannot assure that the relevant PRC authorities would not notify and require us in the future to complete registration and/or pay the outstanding contributions by a stipulated deadline. If any of these occurs, our business and financial position may be adversely affected.

Disputes with any of our joint ventures, associates and other business partners may adversely affect our business.

In the course of our business, we have in the past invested in associates, and may in the future form joint ventures, associates or other cooperative relationships with other parties to jointly engage in certain business activities. We may bear joint and several liabilities to the relevant counterparties and as a result, we may incur damages and other liabilities for any defective work or services or other breaches by our joint ventures, associates or business partners. Our joint ventures, associates and other business partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfil their obligations under the relevant joint venture agreements or other cooperative arrangements, including their obligation to make the required capital contribution; or
- have financial difficulties.

A serious dispute with any of our joint ventures, associates or other business partners may cause the loss of business opportunities or disruption to or termination of the relevant project or business venture. Such dispute may also give rise to litigation or other legal proceedings, which will divert our management attention and other resources, and if a decision or award is

rendered against us, we could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the related project or operations. In the event that we encounter any of the foregoing problems, our business, results of operations and financial condition may be materially and adversely affected.

Mergers and acquisitions involve significant risks and uncertainties and we may not be able to identify suitable targets or successfully integrate acquired businesses.

We have in the past acquired equity interest of our subsidiaries and associates to further our business development. We may continue to pursue suitable merger and acquisition opportunities by acquiring target companies or their teams to expand into strategic businesses. Merger and acquisition activities, however, involve significant risks and uncertainties, including difficulties in identifying suitable targets and competition from other potential buyers or bidders, difficulties in determining the appropriate purchase price of the target, which may result in potential impairment of goodwill, potential increases in debt, which may increase our finance costs, and exposure to unanticipated contingent liabilities of the target.

In addition, integration of a newly acquired business may be costly and time-consuming and could present us with significant risks and difficulties, including those in:

- integrating the operations and personnel of the acquired business within our corporate culture and management style and implementing uniform information technology systems, controls, procedures and policies;
- retaining relationships with key employees, customers, business partners and suppliers of the acquired business;
- successfully entering a business or geographic market in which we have limited prior experience;
- achieving the anticipated synergies and strategic or financial benefits from the acquisition; and
- addressing the economic, political, regulatory and foreign exchange risks associated with any new jurisdiction in which the acquired business is located.

In addition, we may consider acquisitions of non-controlling interests in target companies, over which we will not have control. Accordingly, it is uncertain whether we will be able to achieve the intended objectives or benefits of those investments.

As a result of the foregoing, we cannot assure you that any mergers and acquisitions that we will conduct in the future will be successful. Failure in executing our merger and acquisition plans could negatively affect our business, financial condition and results of operations.

Natural disasters, epidemics, acts of terrorism, wars and other events could materially and adversely affect our business.

Natural disasters such as floods and earthquakes, severe weather conditions and other catastrophic events may severely affect the areas in which we, our customers, suppliers or their upstream production support for our key equipment and materials are located. An outbreak or epidemic, such as those of the Severe Acute Respiratory Syndrome, Middle East Respiratory Syndrome or the H1N1 and H5N1 viruses, in particular in the areas in which we, our customers, suppliers or their upstream production support for our key equipment and materials are located, may lead to widespread health crisis and restrict business activities in the affected areas, which may in turn materially and adversely affect our business, financial condition and results of operations. Similarly, acts of terrorism, wars, threats of war, social unrest and political uncertainty and tension could affect the business development and projects of us, our customers, suppliers or their upstream production support for our key equipment and materials. Any of these events could cause damage and disruption to our business and our financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political and social conditions as well as government policies could affect our business.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to structure, level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. While the PRC economy has grown significantly in the past decades, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy is undergoing further transitioning to a market oriented economy. For the past decades, the PRC government has implemented economic reform measures emphasising the utilisation of market forces in the development of the PRC economy. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws, regulations or policies or the interpretation of laws, regulations or policies;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and

- imposition of additional restrictions on currency conversion and remittances abroad.

Any economic slowdown, recession or other developments in the PRC social, political, economic or legal environment could result in fewer opportunities for new solid waste treatment projects, or a decline in the needs for the solid waste treatment companies to upgrade their technologies could result in a lower demand for our technology upgrade services and lower revenue and income contribution for us. As such, our business, financial position and results of operations would be materially and adversely affected.

Governmental control of currency conversion may limit our ability to use capital effectively.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. See "Regulatory Overview – Regulations on Foreign Exchange". We receive our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, approval or registration from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Our ability to access credit and capital markets may be adversely affected by factors beyond our control.

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may use to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively with the [REDACTED] from the [REDACTED], which may affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions.

We may finance our equity controlled PRC subsidiaries with the [**REDACTED**] from the [**REDACTED**] through overseas shareholder loans or additional capital contributions, which require registration with or approvals from PRC government authorities. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions must be filed with the Ministry of Commerce of the PRC or its local counterpart. In addition, the PRC government also restricts the convertibility of foreign currencies into Renminbi and use of the proceeds. On 30 March 2015, SAFE promulgated Circular 19, which took effect and replaced previous SAFE regulations from 1 June 2015. SAFE further promulgated Circular 16, effective on 9 June 2016, which, among other things, amend certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency dominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. For further details, see "Regulatory Overview – Legal Regulations on Foreign Exchange". The applicable foreign exchange circulars and rules may significantly limit our ability to convert, transfer and use the [**REDACTED**] from the [**REDACTED**] or any offering of additional equity securities in China, which may adversely affect our business, financial condition and results of operations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the [**REDACTED**] from the [**REDACTED**]. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business.

We conduct substantially all our business in Renminbi. However, following the [**REDACTED**], we may also maintain a significant portion of the [**REDACTED**] from the [**REDACTED**] in Hong Kong dollars before they are used in our PRC operations. The value of Renminbi against USD or Hong Kong dollars is affected by, among other factors, changes in political and economic conditions and the foreign exchange policies adopted by the PRC government and will likely continue to fluctuate in the future. Under the current policy, the Renminbi is pegged against a basket of currencies, as determined by the PBOC, against which it can rise or fall within stipulated ranges each day. As a result of the historical and any future

changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the USD or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the USD or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into USD or Hong Kong dollars (which are pegged to the USD), of our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the USD or the Hong Kong dollars would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert USD or Hong Kong dollars into Renminbi for such purposes. In addition, our Company is a holding company and we may have to rely on dividends paid by our operating subsidiaries in the PRC to make dividend payments in Hong Kong dollars to Shareholders. Depreciation of Renminbi against Hong Kong dollars will therefore have a negative impact on the Hong Kong dollars amount Shareholders could receive as dividend payments.

We may be considered a "resident enterprise" under the EIT Law and income tax on the dividends that we receive from our PRC operating subsidiaries may increase.

Our Company was incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "resident enterprises" and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. On 6 December 2007, the State Council adopted the Regulation on the Implementation of EIT Law, effective as at 1 January 2008, which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises". Currently, our management is primarily based in the PRC, and may continue to be based in the PRC in the future. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual resident(s), as in our case.

If we were considered a PRC resident enterprise, we would be subject to enterprise income tax at the rate of 25% on our global income, and any dividend or gain on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. We invest in our PRC operating subsidiaries through our Hong Kong subsidiaries. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Hong Kong Tax Treaty**"), our Hong Kong subsidiaries will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, the SAT promulgated the Announcement on Certain Issues Concerning the Beneficial Owner in a Tax Agreement (關於税收協定中"受益所有人"有關問題的公告) ("**Circular 9**") on 3 February 2018, effective as 1 April 2018, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantial business activities and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits. It is possible, however, that under Circular 9 our Hong Kong subsidiaries would not be considered the "beneficial owner" of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favourable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations would be materially and adversely affected.

Shareholders may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realised on the transfer of our Shares.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources paid to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is generally subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempt under applicable tax treaties or similar arrangements.

Uncertainty with respect to the PRC legal system could adversely affect us and may limit the legal protection available to Shareholders.

As our businesses are conducted, and our assets are located, in the PRC, our operations are governed principally by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China, or may be unclear or inconsistent. In particular, since the solid waste treatment industry is in its developmental stage in the PRC, the laws and regulations relating to this industry are unspecific and may be incomprehensive. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgement by a PRC court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after such violation. Finally, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention. The materialisation of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

It may be difficult to effect service of process on our Directors or executive officers who reside in the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts.

The majority of our senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions may be difficult or even impossible.

RISKS RELATING TO THE [REDACTED]

Purchasers of our Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our Shares in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] adjusted consolidated net tangible assets value per Share with respect to their Shares. In addition, holders of our Shares may experience a further dilution of their interest if we obtain additional capital in the future through equity offerings.

In order to expand our business, we may consider offering and issuing additional Shares in the future. We may also issue additional Shares pursuant to our [**REDACTED**] Share Option Scheme. Purchasers of our Shares may experience dilution in the net tangible assets book value per Share of their investments in the Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

There has been no prior public market for our Shares.

Prior to the [**REDACTED**], there was no public market for our Shares. The initial [**REDACTED**] range for our Shares was the result of negotiations among us and the [**REDACTED**] on behalf of the [**REDACTED**], and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of, and permission to [**REDACTED**], our Shares on the Stock Exchange. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active [**REDACTED**] market for our Shares will develop, or if it does develop, will be sustained following the [**REDACTED**] or that the [**REDACTED**] of our Shares will not decline following the [**REDACTED**].

The liquidity and [REDACTED] of our Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the [REDACTED].

The [**REDACTED**] and [**REDACTED**] volume of our Shares may be volatile as a result of the following factors, as well as others, which are discussed in this "Risk Factors" section or elsewhere in this document, some of which are beyond our control:

- actual or anticipated fluctuations in our results of operations;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;

- news regarding recruitment or loss of key personnel by us or our competitors;
- changes in general economic conditions or other developments affecting us or our industry; and
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If the economic downturn continues, our business, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the [**REDACTED**] of our Shares.

Future issuance, offers or sales of our Shares may adversely affect the prevailing [REDACTED] of our Shares.

Future issuance of the Shares by our Company or the disposal of the Shares by any of our Shareholders or the perception that such issuance or sale may occur, may negatively affect the prevailing [**REDACTED**] of the Shares. Moreover, future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the [**REDACTED**] of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for a period of up to six months after the [**REDACTED**]. For details of such lock-up undertakings, see "[**REDACTED**]". We cannot give any assurance that they will not dispose of their Shares they may own now or in the future.

The [REDACTED] of our Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time [REDACTED] begins.

The [**REDACTED**] will be determined on the [**REDACTED**]. However, the [**REDACTED**] will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be on the sixth Business Day after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise [**REDACTED**] the [**REDACTED**] during that period. Accordingly, holders of the [**REDACTED**] are subject to the risk that the [**REDACTED**] of the [**REDACTED**] when [**REDACTED**] begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [**REDACTED**] begins.

Our Controlling Shareholders have substantial control over the Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [**REDACTED**], our Controlling Shareholders will remain having substantial control over their interests in the issued share capital of our Company. Subject to the Articles of Association and the Companies Ordinance and the Listing Rules, the Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Certain facts and other statistics with respect to China, the PRC economy, the PRC solid waste treatment industry in this document are derived from various official government sources and third-party sources and may not be reliable.

Certain facts and other statistics in this document relating to China, the PRC economy, the PRC solid waste treatment industry have been derived from various official government publications and data from other publicly available sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

Investors should read the entire document carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this document.

There may be coverage in the media regarding the [**REDACTED**] and our operations. There may have been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which contained, among other matters, certain financial information, projections, valuations and other forward-looking information about us and [**REDACTED**]. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, prospective investors should read the entire document carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this document and the Application Forms to make investment decisions about us.

Forward-looking information may prove inaccurate.

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate", "believe", "estimate", "expect", "plans", "prospects", "going forward", "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialise, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

You may not have the same protection of your shareholder rights under Cayman Islands law comparing to what you would have under Hong Kong law.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Law, and the common law of the Cayman Islands. The rights of shareholders to take action against the Directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

We may not declare dividends on our Shares in the future.

We did not declare any dividend during the Track Record Period and up to the Latest Practicable Date. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year.

For the purpose of the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. However, our Company would not be able to satisfy such requirement for the following reasons:

(a) the principal business and operations of our Company are based, managed and conducted in the PRC and our executive Directors have been and are expected to continue to be based in the PRC;

(b) for the purposes of the operations and management of our Group, appointing additional executive Directors who are ordinarily resident in Hong Kong would not only increase the administrative expenses of our Group, but would also reduce the effectiveness and responsiveness of the Board in making decisions for our Group, especially when business decisions are required to be made on a timely basis. In addition, appointing new executive Directors, who may not be familiar with the operations of our Group, to the Board for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules might not be in the best interest of our Group and the Shareholders as a whole. In particular, they will not be able to fully understand the daily operations of the core business of our Group or fully appreciate the circumstances surrounding or affecting the core business operations and development of our Group from time to time, as they would not be physically present in the operational and management base of our Group in the PRC all the time. As such, such executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgement that are most beneficial to the operations and development of our Group; and

(c) each of our existing executive Directors has a vital role in the business and operations of our Group and it is of paramount importance for them to remain physically close to our Group's operations in the PRC.

For the above reasons, relocating any of our existing PRC-based executive Directors to Hong Kong would be burdensome, commercially unfeasible and costly for our Company. Such Directors, if relocated, would not be physically present at the operation and management base of our Group in the PRC all the time, and thus may encounter difficulties in performing their management duties.

We do not and in the foreseeable future will not, have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, and the Stock Exchange [has granted] us the waiver, subject to the following conditions:

(a) we have appointed Mr. Cai, an executive Director, and Mr. Gu Chunbin, one of our joint company secretaries, who is ordinarily resident in Hong Kong, as our authorised representatives pursuant to Rule 3.05 of the Listing Rules, and they will serve as the principal channel of communication of the Company with the Stock Exchange who will be readily contactable by the Stock Exchange, and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to the Company on short notice. For biographical details of Mr. Cai and Mr. Gu Chunbin, please refer to the subsections headed "Directors and Senior Management – Executive Directors" and "Directors and Senior Management – Senior Management";

(b) we have provided the authorised representatives and the Stock Exchange with the contact details of each Director. Each authorised representative has means to contact all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any reason. In the event that any Director expects to travel or otherwise be out of office, he will provide the phone number of the place of his accommodation to our authorised representatives;

(c) all of our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents or will be able to apply for valid travel documents to travel to Hong Kong and will be able to meet the Stock Exchange within a reasonable period;

(d) we have appointed Altus Capital Limited as the compliance adviser of our Company, pursuant to Rule 3A.19 of the Listing Rules, to act as our Company's additional channel of communication with the Stock Exchange from the [**REDACTED**] to the date on which our Company distributes its financial results for the first full financial year immediately after the [**REDACTED**] in accordance with Rule 13.46 of the Listing Rules;

(e) all Directors have provided their respective mobile phone numbers, office phone numbers, e-mail addresses (where applicable) and fax numbers to the Stock Exchange. We will keep the Stock Exchange updated in respect of any change to the contact details of the authorised representatives. Our Company will only change the authorised representatives after notifying the Stock Exchange of such change and the reasons therefor, and having made an appropriate replacement; and

(f) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the compliance adviser of our Company or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in the authorised representatives and/or our compliance adviser.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (WUMP) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company appointed Mr. Gu Chunbin and Ms. So Shuk Yi Betty as joint company secretaries of the Company on 1 May 2018 and 4 May 2018, respectively. Ms. So Shuk Yi Betty is a member of The Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules.

Mr. Gu Chunbin has been working for our Group since December 2016. He has thorough understanding of the operations of our Group and is experienced in handling corporate matters. Please refer to the subsection headed "Directors and Senior Management – Senior Management" for his biographic information. Our Directors believe that having regard to Mr. Gu Chunbin's experience in handling corporate matters and his thorough understanding of our operations, Mr. Gu Chunbin is capable of discharging his functions as a joint company secretary.

Accordingly, while Mr. Gu Chunbin does not possess the qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has agreed to grant], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Gu Chunbin may be appointed as a joint company secretary of our Company. The waiver was [granted] for a three-year period on the condition that Ms. So Shuk Yi Betty, as joint company secretary, will work closely with, and provide assistance to, Mr. Gu Chunbin in the discharge of his duties as our joint company secretary for an initial period of three years from the [**REDACTED**]. In addition, Mr. Gu Chunbin will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. We will further ensure that Mr. Gu Chunbin has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. The waiver will be revoked immediately if Ms. So Shuk Yi Betty ceases to provide assistance to Mr. Gu Chunbin as the joint company secretary during the three years after the [**REDACTED**]. Before the end of the three-year period, we will liaise with the Stock Exchange to enable it to assess whether Mr. Gu Chunbin, having had the benefit of Ms. So Shuk Yi Betty's assistance for three years, has acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary. We will also apply to the Stock Exchange for a waiver from strict compliance with the relevant requirements under Rules 3.28 and 8.17 of the Listing Rules if Ms. So Shuk Yi Betty ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as the joint company secretary of the Company during the three-year period.

Please see the section headed "Directors and Senior Management" for further information regarding Mr. Gu Chunbin and Ms. So Shuk Yi Betty.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Cai Zhuhua (蔡珠華)	Room 402, Gate No. 4 2 Shayuan Third Street South Haizhu District Guangzhou Guangdong Province China	Chinese
Mr. Dong Honghui (董紅暉)	Room 302, No. 16 Shayuan Sixth Street North Haizhu District Guangzhou Guangdong Province China	Chinese
Mr. Deng Zhaoshan (鄧兆善)	Room 975 No. 2 Cuishi Road Yuncheng Subdistrict Yuncheng District Yunfu Guangdong Province China	Chinese
Non-executive Directors		
Mr. Ren Jingfeng (任景豐)	Room 603, Unit 2 Building No. 8 No. 87 Jialingjiang Street East Jianye District Nanjing Jiangsu Province China	Chinese
Mr. Yang Zhiqiang (楊志強)	Room F, 35/F Block 16 Yee Tsui Court South Horizons Aberdeen Hong Kong	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Yang Zhifeng (楊志峰)	No. 302, Gate No. 4 No. 1, Leyu Building No. 19 Xinjiekou Outer Street Haidian District Beijing China	Chinese
Mr. Jiang Guoliang (蔣國良)	Room 901, Unit 1 Block 15, Caihongcheng Binjiang District Hangzhou Zhejiang Province China	Chinese
Mr. Feng Tao (馮濤)	No. 242, South Building No. 11 Dongsi Ertiao Dongcheng District Beijing China	Chinese

Please refer to the section headed "Directors and Senior Management" for further information.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor, [REDACTED], [REDACTED] and [REDACTED]	**BOCI Asia Limited** 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Miao & Co.** **(in Association with Han Kun Law Offices)** Rooms 3901-05, 39/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to Cayman Islands law:* **Walkers (Hong Kong)** 15th Floor, Alexandra House 18 Chater Road Central Hong Kong *As to PRC law:* **Han Kun Law Offices** Room 2103-04, 21/F, Tower 3 Kerry Plaza 1-1 Zhongxinsi Road Futian District Shenzhen 518048 PRC
Legal advisers to the Sole Sponsor and [REDACTED]	*As to Hong Kong law:* **[REDACTED]** *As to PRC law:* **Jingtian & Gongcheng** Suite 45/F, K. Wah Centre 1010 Huaihai Road (M) Shanghai 200031 PRC

Auditors and reporting accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Hong Kong
Compliance adviser	**Altus Capital Limited** *(a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)* 21 Wing Wo Street Central, Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai PRC
Receiving bank	[**REDACTED**]

CORPORATE INFORMATION

Registered office	P. O. Box 31119 Grand Pavilion, Hibiscus Way 802 West Bay Road Grand Cayman, KY1-1205 Cayman Islands
Headquarters	14-15/F, Block A4 No. 181 Science Boulevard Guangzhou, Guangdong Province China
Place of business in Hong Kong	Unit 3507, 35/F, AIA Tower 183 Electric Road North Point Hong Kong
Company's website	**http://www.gzweigang.com/** *(information contained in this website does not form part of this document)*
Joint company secretaries	Mr. Gu Chunbin Room 2009, Tower A Harbourfront Horizon 8 Hung Luen Road Hung Hom, Kowloon Hong Kong Ms. So Shuk Yi Betty 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong *(an associate member of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators)*

Authorised representatives	Mr. Cai Zhuhua Room 402, Gate No. 4 No. 2 Shayuan Third Street South Haizhu District Guangzhou, Guangdong Province China Mr. Gu Chunbin Room 2009, Tower A Harbourfront Horizon 8 Hung Luen Road Hung Hom, Kowloon Hong Kong
Audit committee	Mr. Feng Tao *(Chairman)* Mr. Yang Zhifeng Mr. Jiang Guoliang
Remuneration committee	Mr. Feng Tao *(Chairman)* Mr. Dong Honghui Mr. Jiang Guoliang
Nomination committee	Mr. Cai Zhuhua *(Chairman)* Mr. Feng Tao Mr. Jiang Guoliang
Principal Share Registrar and transfer office in the Cayman Islands	[**REDACTED**]
Hong Kong Branch Share Registrar and transfer office	[**REDACTED**]
Principal bank	Bank of Guangzhou Science City Branch 3/F, Science and Technology Innovation Base Complex 80 Yueyue Road Science City, Guangzhou Guangdong Province China

Except as otherwise provided in this document, the information and statistics set out in this section have been extracted from various official government publications and other publications as well as industry reports we commissioned from an independent industry consultant, Frost & Sullivan. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted rendering such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, [**REDACTED**]*,* [**REDACTED**]*,* [**REDACTED**]*, any of our or their respective directors, officers, representatives, affiliates or other advisers or any other persons involved in the* [**REDACTED**] *(other than our independent industry consultant, Frost & Sullivan), and no representation is given as to its accuracy.*

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and analysis of the solid waste treatment and hazardous waste treatment market in China and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It provides industry research, consulting and corporate training services.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted primary research including interviews with selected industry participants, as well as secondary research including analysis of company reports, independent research reports and relevant data based on its own research database. Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, taking into consideration the identified key drivers and using multiple forecasting techniques such as expert-opinion forecasting methodology, integrated with its analysis of market trends and econometric variables. Frost & Sullivan prepared its report based on the assumptions that the social, economic and political conditions of China are likely to remain stable and related industry growth drivers are likely to drive the solid waste treatment and hazardous waste treatment markets in China in the forecasted periods.

We incurred RMB450,000 for commissioning the Frost & Sullivan Report. Our payment of such fee to Frost & Sullivan is not contingent upon the results of its research and analysis.

Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Frost & Sullivan Report. Our Directors believe that the Frost & Sullivan Report is reliable and not misleading as Frost & Sullivan is an independent professional research agency with extensive experience in its profession.

OVERVIEW

China's GDP has been experiencing a high-speed growth for the past two decades which has brought about severer environmental problems. With increasing public awareness to address these environmental issues and governmental policies and measures to support such endeavours, the overall investment in environmental protection and pollution treatment for solid waste, waste water and waste gas in China has increased at a CAGR of 2.8% from RMB825.3 billion in 2012 to RMB922.0 billion in 2016, which accounted for 1.2% of China's total GDP in 2016, and is expected to further grow at a CAGR of 17.2% from RMB1,087.9 billion in 2017 to RMB2,405.3 billion in 2022, which accounts for 2.0% of China's estimated total GDP in 2022, according to Frost & Sullivan.

Solid Waste Treatment Market in China

Solid waste refers to the solid, semisolid or container placed gaseous substance generated from production and living activities, which has lost its original value or is otherwise abandoned. Solid waste treatment industry in China can be divided into five categories,

namely, (i) common industrial waste treatment, (ii) hazardous waste treatment, (iii) municipal solid waste treatment, (iv) sewage and industrial sludge treatment and (v) soil remediation.

According to Frost & Sullivan, the output volume of solid waste(1) in China increased from 3,546 million tonnes in 2013 to 3,667 million tonnes in 2017 at a CAGR of 0.8% and is expected to further grow at a CAGR of 1.1% from 2018 to 2022. Hazardous waste accounted for approximately 1.9% of the total output volume of such solid waste in 2017. The treatment volume of solid waste(1) in China decreased from 3,110 million tonnes in 2013 to 2,946 million tonnes in 2017 at a CAGR of -1.3% and is expected to grow at a CAGR of 1.9% from 2018 to 2022, according to Frost & Sullivan.

Main solid waste treatment methods in China include resource utilisation, physical-chemical treatment, incineration, landfill, pyrolysis, thermal desorption and composting. Incineration and landfill are major treatment methods of solid waste which generally do not have much recovery value.

Compared with landfill, incineration significantly reduces solid waste volume and land costs, as well as lowering the risks of secondary pollution of soil and water.

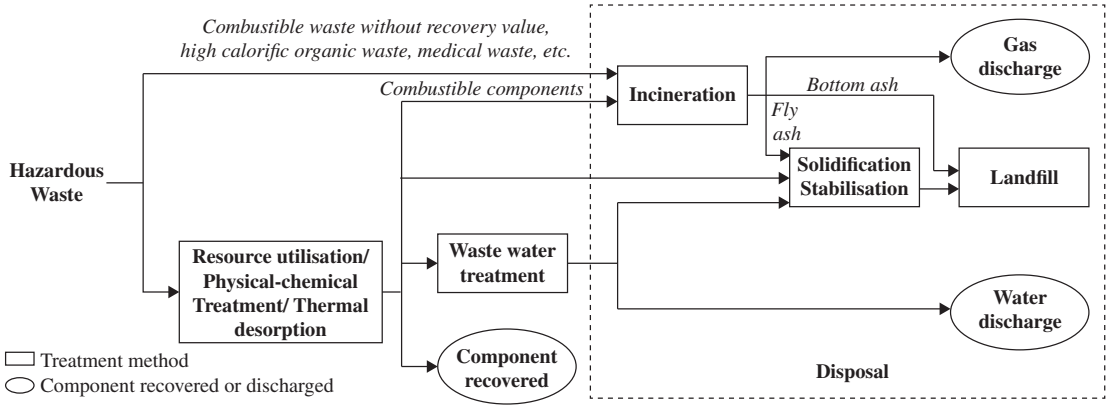
Pyrolysis is a thermochemical decomposition of organic material at elevated temperatures in the absence of oxygen by way of changing the chemical composition of the organic material. In general, pyrolysis technology is able to treat solid waste at a relatively low unit cost with higher level of resource utilisation compared with incineration.

Thermal desorption utilises heat to volatilise the contaminates at different temperature so that they can be removed or separated from the solid matrix. Thermal desorption is usually used to treat solid and semi-solid waste whose components have different vaporising temperature.

Hazardous Waste Treatment Market in China

Hazardous waste is solid waste covering medical and industrial hazardous waste which exhibits one or more hazardous characteristics as being ignitable, corrosive, reactive, infective or toxic, that is likely to be harmful to the environment or human body. Hazardous waste is divided into 46 categories and 479 types under the latest National Catalogue of Hazardous Waste (《國家危險廢物名錄》) jointly promulgated by MEE and NDRC in 2016.

Major procedures of hazardous waste treatment include resource utilisation, physical-chemical treatment, thermal desorption and final disposal and the process varies between different types of hazardous waste. Incineration and landfill are the major methods for final disposal of hazardous waste. According to Frost & Sullivan, the total volume of hazardous waste (including medical and industrial hazardous waste) disposed in centralised hazardous waste treatment facilities in China reached 8.2 million tonnes in 2017, out of which approximately 27.9% and 17.7% were disposed by incineration and landfill, respectively, with the remainder disposed by methods such as physical-chemical treatment and solidification. According to the GB18484-2001 Standard (《危險廢物焚燒污染控制標準》), incineration is able to dispose all such categories of hazardous waste except for explosive or radioactive hazardous waste. In particular, incineration is the most suitable method for treatment of hazardous waste with rich organic substance and high calorific value. The following chart illustrates the general treatment procedures of hazardous waste:



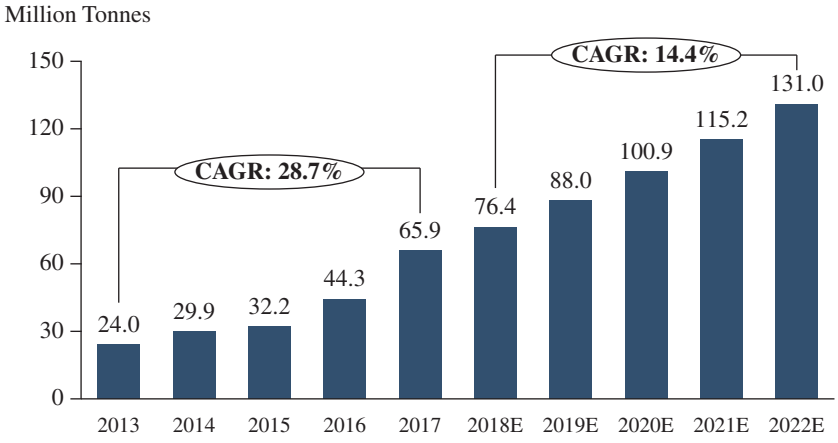
Source: Frost & Sullivan

(1) Such solid waste includes (i) common industrial waste, (ii) hazardous waste, and (iii) municipal solid waste, but excludes sewage and industrial sludge and solid waste of soil remediation.

According to Frost & Sullivan, the output volume of hazardous waste in China increased from 31.6 million tonnes in 2013 to 69.4 million tonnes in 2017 at a CAGR of 21.8%. However, the actual output volume of hazardous waste in China is believed to be much higher as such official statistics may not cover hazardous waste discharged, transferred or disposed of by illegal means. According to Frost & Sullivan, the output volume of hazardous waste in China is expected to increase from 79.8 million tonnes in 2018 to 133.1 million tonnes in 2022 at a CAGR of 13.6% as environmental protection is becoming an increasingly urgent public health concern and more rigorous regulations and higher environmental protection standards are expected to be enforced in China, procuring the waste producers to report the actual output volume of hazardous waste.

According to Frost & Sullivan, the treatment volume of hazardous waste in China increased from 24.0 million tonnes in 2013 to 65.9 million tonnes in 2017 at a CAGR of 28.7% and is expected to increase from 76.4 million tonnes in 2018 to 131.0 million tonnes in 2022 at a CAGR of 14.4% following the promulgation of the updated National Catalogue of Hazardous Waste in 2016 and as an increasing number of treatment facilities are being encouraged to be implemented in China during the 13th Five Year Period for the treatment of both stock and newly-generated hazardous waste. The following chart sets out the historical and projected treatment volume of hazardous waste in China for the years indicated:

Treatment Volume of Hazardous Waste in China, 2013 – 2022E



Source: Frost & Sullivan

Centralised Treatment of Hazardous Waste

Hazardous waste treatment facilities in China can be classified into (i) centralised facilities for the treatment of hazardous waste from a variety of sources the operation of which must be licensed by the relevant environmental protection authorities, and (ii) self-built facilities, generally operated by manufacturing factories for treatment of hazardous waste generated from their daily production. According to Frost & Sullivan, centralised facilities accounted for approximately 30% of the treatment volume of hazardous waste in 2017 in China.

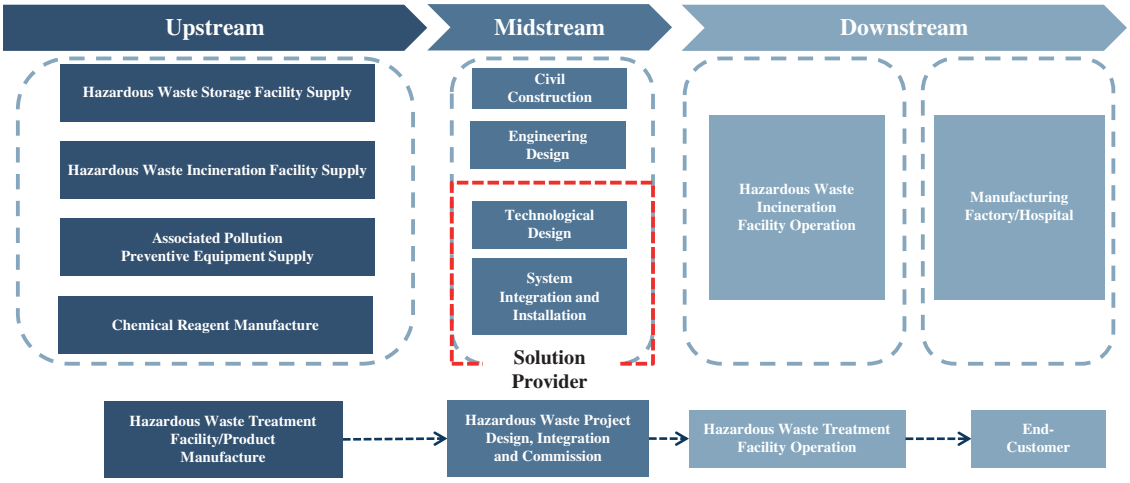
According to Frost & Sullivan, the number of centralised hazardous waste treatment facilities in China increased from 767 in 2013 to 989 in 2017 at a CAGR of 6.6%, and is expected to reach 1,383 in 2022. Currently, over 60% of these centralised facilities in China are only licensed to treat one category of hazardous waste. The treatment capacity of centralised hazardous waste treatment facilities in operation in China reached 163,000 tonnes per day in 2017 and is expected to reach 370,000 tonnes per day in 2022, according to Frost & Sullivan.

The centralised hazardous waste treatment market in China is highly competitive and fragmented with around 500 treatment facility operators as at 31 December 2017 with the top ten industry players accounting for only approximately 7.3% of the total disposal capacity in operation. As at 31 December 2017, the disposal capacity in operation of centralised hazardous waste treatment facilities in China reached 29.6 million tonnes amongst which Dongjiang Group had the largest market share of 2.8% with disposal capacity of 820,000 tonnes.

HAZARDOUS WASTE INCINERATION

The hazardous waste incineration industry value chain can be divided into (i) upstream equipment and materials suppliers, (ii) midstream design and construction contractors and solution providers, and (iii) downstream facility operators and end-users. Hazardous waste

incineration solution providers such as us are generally responsible for the system design, configuration, integration and maintenance for the smooth operation of the treatment facilities. The following chart illustrates the value chain of the hazardous waste incineration treatment industry in China:



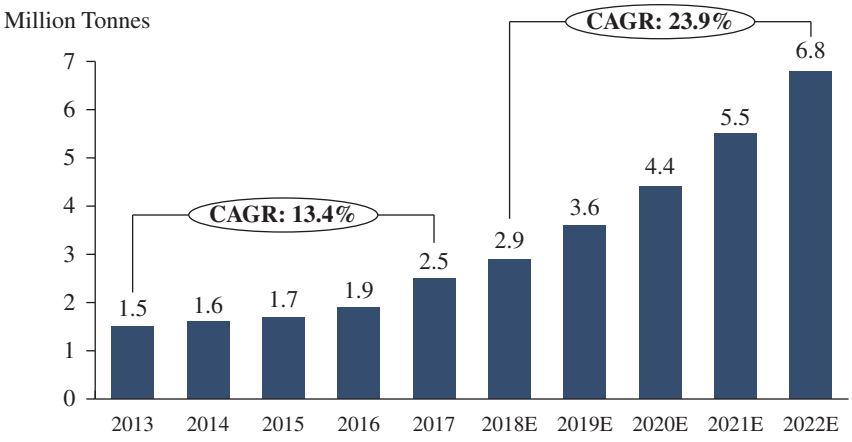
Source: Frost & Sullivan

According to Frost & Sullivan, rotary-kiln incineration is a technology recommended by MEE in the Policy of Hazardous Waste Control Technology (《危險廢物污染防治技術政策》) published in 2001 and is adopted in almost all of the newly-built hazardous waste incineration facilities in China, especially for industrial hazardous waste. Rotary-kiln incineration systems dominated the hazardous waste incineration market in China with a market share of over 80% in terms of total disposal capacity in 2017, according to Frost & Sullivan. Compared to other incineration methods, rotary-kiln incineration is highly adaptable to incinerate solid, semisolid, liquid and gas hazardous wastes in various shapes and pattern, highly flexible in adjusting the processing speed and temperature, and has higher system stability. Rotary-kiln incineration is usually employed by large-scale centralised hazardous waste incineration plants in China. Rotary-kiln incineration is expected to remain the mainstream hazardous waste incineration solution in China in the next five years as other competing technologies may not achieve the same level of effectiveness or economic feasibility for incineration of hazardous waste. With high market share, further growth of rotary-kiln incineration system will be driven mainly by the growth of total hazardous waste incineration disposal market.

Centralised Hazardous Waste Incineration Market in China

According to Frost & Sullivan, the centralised incineration volume of hazardous waste in China increased from 1.5 million tonnes in 2013 to 2.5 million tonnes in 2017 at a CAGR of 13.4% and is expected to grow from 2.9 million tonnes in 2018 to 6.8 million tonnes in 2022 at a CAGR of 23.9% due to the increasing output volume of hazardous waste and the speedy development and construction of centralised hazardous waste incineration facilities in China. The following chart sets out the historical and projected centralised incineration volume of hazardous waste in China for the years indicated:

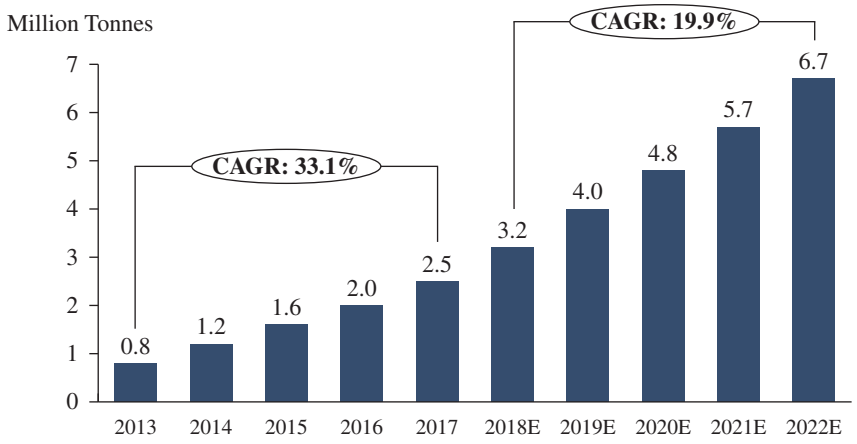
Centralised Incineration Volume of Hazardous Waste in China, 2013 – 2022E



Source: Frost & Sullivan

Driven by governmental support and increasing demand for centralised incineration of hazardous waste, the cumulative disposal capacity of large-scale centralised hazardous waste incineration facilities[(2)] in China increased from 0.8 million tonnes in 2013 to 2.5 million tonnes in 2017 at a CAGR of 33.1%, and is expected to increase from 3.2 million tonnes in 2018 to 6.7 million tonnes in 2022 at a CAGR of 19.9%, according to Frost & Sullivan. The following chart sets out the cumulative disposal capacity of large-scale centralised hazardous waste incineration facilities in China:

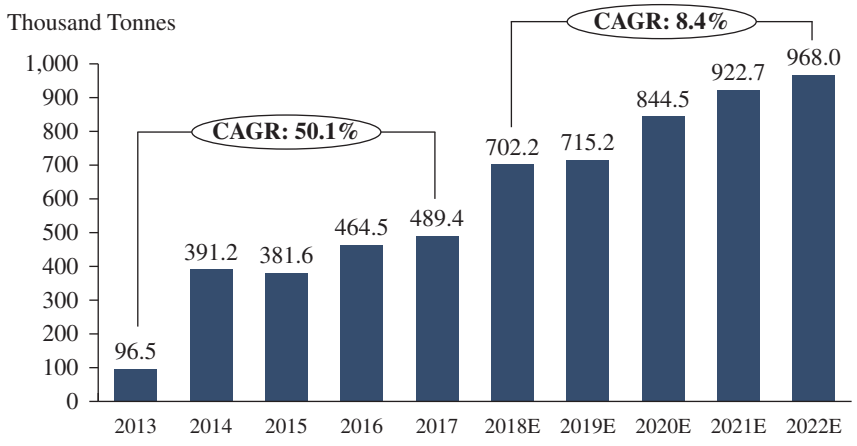
Cumulative Disposal Capacity of Large-scale Centralised Hazardous Waste Incineration Facilities in China, 2013 – 2022E



Source: Frost & Sullivan

To meet the huge incineration demand and to achieve scale of economy, newly-built centralised hazardous waste incineration facilities in China usually have a disposal capacity of over 10,000 tonnes. In addition, many existing centralised hazardous waste incineration facilities have been actively upgrading and increasing their incineration systems. As such, the incremental disposal capacity of large-scale centralised hazardous waste incineration facilities[(2)] in China is expected to increase from 702,200 tonnes in 2018 to 968,000 tonnes in 2022 at a CAGR of 8.4%, according to Frost & Sullivan. The following chart sets out the incremental disposal capacity of large-scaled centralised hazardous waste incineration facilities in China:

Incremental Disposal Capacity of Large-scale Centralised Hazardous Waste Incineration Facilities in China, 2013 – 2022E

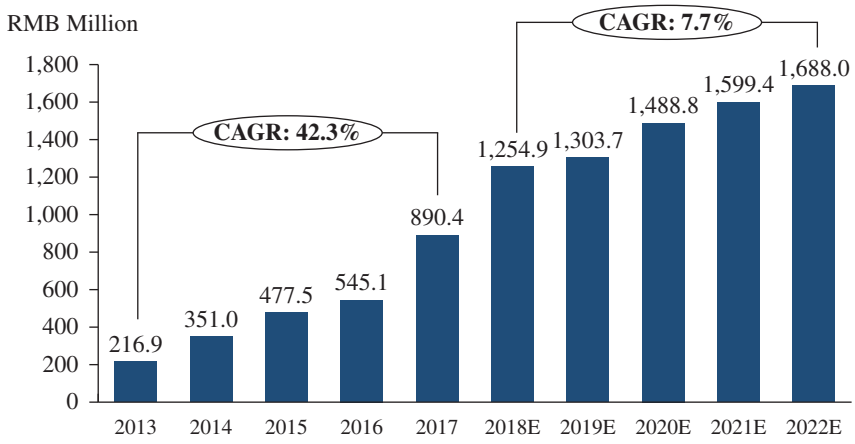


Source: Frost & Sullivan

(2) This refers to centralised hazardous waste incineration facilities in China each with an annual disposal capacity exceeding 10,000 tonnes.

According to Frost & Sullivan, the total revenue of solution providers for large-scale centralised hazardous waste incineration facilities[(3)] in China increased from RMB216.9 million in 2013 to RMB890.4 million in 2017 at a CAGR of 42.3% and is expected to increase from RMB1,254.9 million in 2018 to RMB1,688.0 million in 2022 at a CAGR of 7.7% driven primarily by the increasing disposal capacity of these facilities in China. The following chart sets out the historical and projected revenue of solution providers for large-scale centralised hazardous waste incineration facilities in China for the years indicated:

Revenue of Solution Providers for Large-scale Centralised Hazardous Waste Incineration Facilities in China, 2013 – 2022E



Source: Frost & Sullivan

Market Drivers

The main drivers of hazardous waste incineration market in China include:

- **Increasing hazardous waste suitable for incineration.** According to Frost & Sullivan, hazardous waste output volume in China is expected to increase from 2018 to 2022 at a CAGR of 13.6%, and hazardous waste output, mainly composed of organics with high calorific value, for which incineration is a more suitable disposal method, will be increasing and in turn boosting the use of the incineration of hazardous waste.

- **Favourable government policy support.** Promulgation and implementation of favourable government regulations and policies will continue to stimulate the environmental protection industries in China, including for hazardous waste disposal. These include, amongst others, Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Guidance Opinions on the Promotion and Development of Manufacturing of Environmental Protection Equipment (《關於加快推進環保裝備製造業發展的指導意見》) and National Catalogue of Hazardous Waste (《國家危險廢物名錄》).

  In addition, the 13th Five-Year Plan for the Protection of Ecological Environment ("十三五"生態環境保護規劃) requires facility operators to transform and upgrade the outdated medical waste incineration facilities. It also encourages large enterprises and industrial zones to establish supporting facilities for hazardous wastes disposal, providing new opportunities and upside potential for the development of hazardous waste incineration market.

- **Increase in the number of centralised incineration facilities.** With growing public environmental consciousness and demand for comprehensive hazardous waste disposal by large-scale centralised incineration facilities with higher cost efficiency,

(3) This refers to centralised hazardous waste incineration facilities in China each with an annual disposal capacity exceeding 10,000 tonnes.

lower pollution emission and easier control and monitoring, the number of large-scale centralised hazardous waste incineration facilities under construction has been steadily increasing in China, especially in and around industrial zones.

- **Technological improvement.** Hazardous waste incineration technology is a relatively mature technology for hazardous waste treatment and has improved in many aspects in recent years, including pre-treatment, combustion, heat recycle and air pollution control, which would help reduce fuel consumption and operation costs as well as improve operational efficiency. The advancement in incineration technology increases the economic feasibility and popularity of incineration disposal facilities.

Market Trends

Market trends for the hazardous waste incineration market in China mainly include:

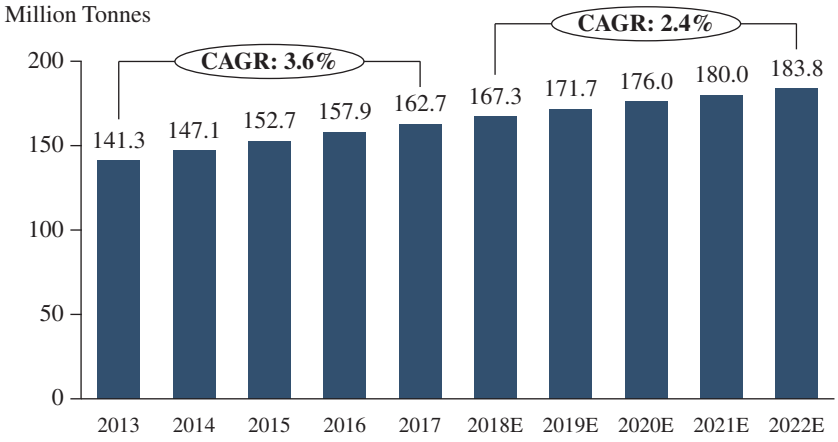
- **Pollutant emission standards.** MEE has been actively revising relevant national standard for pollution control on hazardous waste incineration with more stringent standards on pollutant emission and environmental protection control expected to be adopted in the next few years with respect to emission of major pollutants such as SO_2 and HCL so that the gap between domestic and international pollutant emission standards can be further narrowed.
- **Comprehensive disposal capability.** To enhance industry regulation and standardisation, the PRC government is actively promoting the development of large scale centralised hazardous waste disposal facilities with comprehensive disposal capabilities on various types of hazardous waste. This would usually require hazardous waste disposal facility operators to employ integrated facilities utilising different treating methods to ensure the regulatory compliance and effectiveness of harmless disposal. As a result, such integrated facilities are in great demand, leading to the construction of an increasing number of large-scale centralised hazardous waste disposal facilities.
- **Co-treatment of hazardous waste in cement kiln.** Co-treatment of hazardous waste in cement kiln is expected to be increasingly adopted by cement producers in China. By treating both self-produced and third-party generated hazardous waste through these co-treatment systems, cement producers not only can utilise any excess production capacity for optimised resource allocation but also can bring in additional revenue at a higher profit margin with relatively minimal investment. As co-treatment of hazardous waste in cement kiln is able to efficiently utilise the abundant cement production capacity in China, the PRC government has also introduced a series of policies to encourage and standardise such practice.

OIL SLUDGE TREATMENT

Oil sludge is a type of hazardous waste containing waste oil, waste water, sand and minerals which is mainly generated from oil exploitation and extraction. Oil sludge also contains substances which can be utilised and turned into crude oil. Oil sludge is mainly treated in China by incineration which requires high consumption of energy, high cost and involves high risks of causing waste gas pollution. In recent years, oil sludge is also increasingly being treated by methods such as thermal desorption which have the advantages of lower environmental impact and higher resource utilisation rate. In addition, thermal desorption unit is listed in the Catalogue of Technologically Advanced Equipment for Prevention of Oil Pollution (《土壤污染防治先進技術裝備目錄》) as promulgated by the PRC government in late 2017.

Due to development of China's oil industry and the absence of suitable treatment methods of oil sludge, the treatment ratio of annual new output of oil sludge remains low in China at generally below 20% and a majority of the oil sludge had been left to be stored and unattended, leading to a large volume of inventory which reached over 160 million tonnes in 2017, according to Frost & Sullivan. The following chart sets out the historical and projected oil sludge inventory in China for the years indicated:

Oil Sludge Inventory in China, 2013 – 2022E



Source: Frost & Sullivan

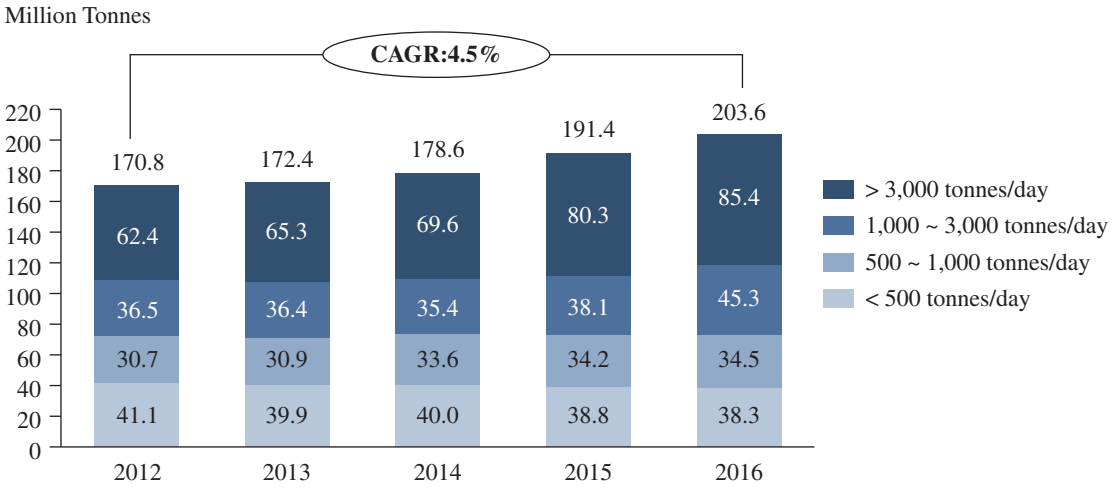
According to Frost & Sullivan, with increased government concerns on pollution caused by oil sludge, the oil sludge treatment market in China is expected to grow significantly as both the existing large volume of oil sludge inventory and the annual new output of oil sludge need to be treated at an improving treatment ratio. As such, the thermal desorption solution is expected to play an important part with considerable growth potentials in China as it was named in the List of Major Environmental Protection Technology and Equipment Encouraged by the State for Development (《國家鼓勵發展的重大環保技術裝備目錄》) in 2017 as a promotional solution for oil sludge treatment and soil remediation.

PYROLYSIS TREATMENT OF SOLID WASTE

Pyrolysis is a thermochemical decomposition of organic material at elevated temperatures in the absence of oxygen which involves the simultaneous change of chemical composition. Pyrolysis treatment of solid waste is applied in many developed areas in the world, especially Japan and North America. Pyrolysis treatment is usually used to dispose solid waste with high heat value, such as waste plastics, waste rubber and waste paper, and is able to treat such solid waste at a relatively low unit cost with higher level of resource utilisation compared with incineration. The development of pyrolysis treatment is at primary stage in China and is of great potential. In terms of treatment volume, the pyrolysis treatment only accounts for less than 0.01% of the total treatment volume of solid waste in China, according to Frost & Sullivan. As the requirements on environmental protection are more stringent in China, pyrolysis treatment is getting more popular driven by its environmental friendliness and economic efficiency.

In treating municipal solid waste, pyrolysis has the advantages of high operating stability, low operating cost, high recovery rate and wide applicability. According to Frost & Sullivan, the output volume of municipal solid waste in China reached 282.0 million tonnes in 2017 at a CAGR of 4.4% from 2013 to 2017 driven by increasing requirements and improving technology of municipal solid waste collection and is expected to increase at a CAGR of 5.1% from 2018 to 2022. According to Frost & Sullivan, the output volume of municipal solid waste in 663 cities in China increased from 170.8 million tonnes in 2012 to 203.6 million tonnes in 2016 at a CAGR of 4.5%. The following chart sets out the historical output volume of municipal solid waste of such cities in China by output level for the years indicated:

Output Volume of Municipal Solid Waste of 663 Cities in China by Output Level, 2012 – 2016



Source: Frost & Sullivan

In 2016, the output volume of municipal solid waste in cities with output volume of less than 500 tonnes per day accounted for around 18.8% of the total output volume of municipal solid waste in the 663 cities in China. The municipal solid waste collection and transportation systems of these cities are relatively under developed with most of the municipal solid waste treated by landfill at a level higher than national average. There is increasing market potential in these cities to upgrade treatment systems with more adaptable treatment methods. The pyrolysis technology is suitable for smaller cities with lower municipal solid waste output as it requires relatively less land area, initial investment and operating cost. According to Frost & Sullivan, the number of municipal solid waste pyrolysis projects in China as disclosed in the bidding documents published on government websites, bidding websites and professional project websites increased from one project in 2014 to 25 projects in 2017. The application of pyrolysis treatment in treating municipal solid waste increased in recent years and is expected to keep increasing in the future in China.

Pyrolysis is an effective pre-treatment method in recycling batteries for electric vehicles which can significantly increase the efficiency of subsequent process of recovering nickel, cobalt, and copper in a concentrated and relatively clean alloy. China is the largest producer and consumer of electric vehicles. According to Frost & Sullivan, the annual shipment of power battery reached 37.4 GWh in 2017 at a CAGR of 124.3% from 2012 to 2017. With the development of electric vehicle market, there will be increasing demand for pyrolysis treatment applied in such battery recycling.

Pyrolysis can also be applied in waste paper recycling. The enormous consumption of paper makes it the major component of the combustible fraction of solid waste, accounting for about one third of typical municipal solid waste. In China, the consumption volume of paper products was around 109 million tonnes in 2017, which increased at a CAGR of 1.6% from 2012 to 2017. Pyrolysis treatment can convert waste paper into combustible gas and oil. Given the paper consumption by huge population base in China, pyrolysis treatment has considerable potential in recycling waste paper.

CEMENT PLANT CO-TREATMENT OF HAZARDOUS WASTE

Cement plant co-treatment of hazardous waste refers to the harmless disposal of hazardous waste by utilising the extra production capacity and the waste heat from cement production process.

According to Frost & Sullivan, a large number of both newly-built and existing cement kilns in China are eligible and encouraged by industry policies, such as the Policy on Pollution Prevention and Control Technology of Co-treatment of Solid Waste in Cement Kilns (《水泥窑协同處置固體廢物污染防治技術政策》), to upgrade their production facilities to implement

co-treatment of hazardous waste and such co-treatment practice has proved to be economically beneficial for cement producers at a minimal investment and technological input. According to Frost & Sullivan, the production capacity of the cement industry in China steadily increased from 1,700 million tonnes in 2013 to 1,820 million tonnes in 2017, and a large amount of cement production capacity in China is suitable and eligible for hazardous waste co-treatment after retrofit which is likely to continue to drive the demand for hazardous waste co-treatment in the years to come.

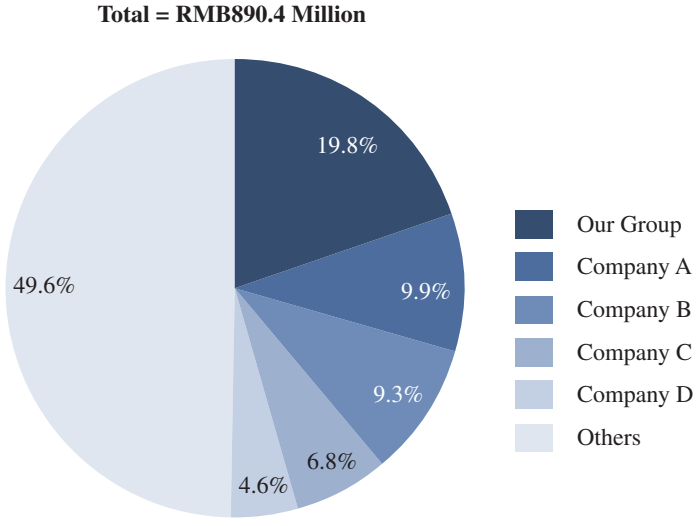
Different methods may be used for such co-treatment facilities. Compared to traditional co-treatment methods, the parallel co-treatment is designed to first pre-treat and incinerate the hazardous waste in a parallel incineration facility utilising the excess heat from the cement production lines before the remaining hazardous waste is treated in a cement kiln. Such parallel co-treatment has the advantages in increasing the types of hazardous waste eligible for disposal and improving the stability of cement production systems and their hazardous waste co-treatment capacity.

COMPETITIVE LANDSCAPE OF CENTRALISED HAZARDOUS WASTE INCINERATION MARKET IN CHINA

The centralised hazardous waste incineration market in China is relatively concentrated for solution providers as the five largest players accounted for a substantial part of the market share in 2017.

According to Frost & Sullivan, we were the largest solution provider in China in 2017 with a market share of 19.8% in terms of revenue from providing solutions for centralised hazardous waste incineration. The following chart sets out the market share by revenue in 2017:

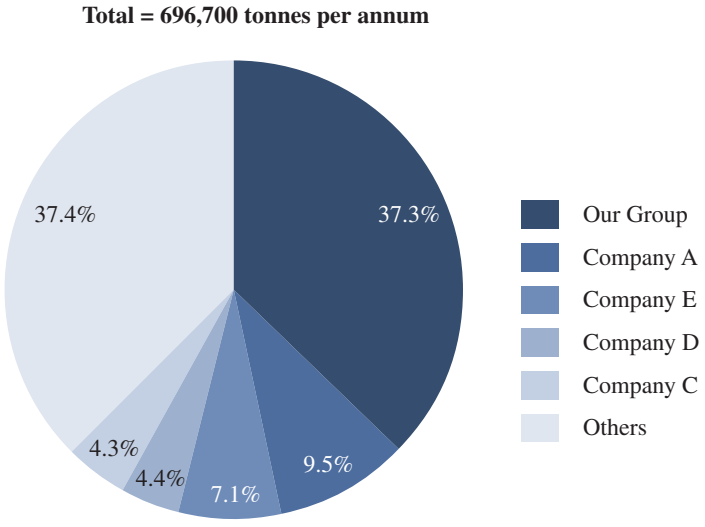
Market Share of Solution Providers in Centralised Hazardous Waste Incineration Market by Revenue in China, 2017



Source: Frost & Sullivan

According to Frost & Sullivan, we were the largest solution provider in China with a market share of 37.3% for centralised incineration of hazardous waste in terms of aggregate designed disposal capacity of projects under construction[(4)] as at 31 December 2017. The following chart sets out the market share by such designed disposal capacity of projects under construction as at 31 December 2017:

Market Share of Solution Providers in Centralised Hazardous Waste Incineration Market by Designed Disposal Capacity of Projects Under Construction in China, as at 31 December 2017



Source: Frost & Sullivan

According to Frost & Sullivan, the centralised hazardous waste incineration market in China faces a number of threats, including the following:

- **High cost of incineration plants.** The investment of centralised hazardous waste incineration plants is high as the infrastructure construction is costly covering pre-treatment facilities, incinerators, gas cleaning systems, land and buildings. In addition, the operation and maintenance of hazardous waste incineration plants are also expensive as the extremely high technical standards applied by such plants require highly skilled staff with relatively high wages. As a result, centralised incineration plants require longer operating cycles to recover construction and operating costs. Such capital barrier tends to force out relatively small centralised hazardous waste incineration plants, which may in turn threaten the overall development of the incineration market.

- **Emerging recycling technologies.** In the near future, advanced hazardous waste recycling technologies which make the reuse of waste possible are likely to emerge. Comparing with incineration, recycling can retain more valuable resources in these hazardous waste. Through recycling hazardous wastes, there will be less hazardous waste left for disposal, which accordingly reduced the demand for centralised hazardous waste incineration systems and is likely to threaten the development of hazardous waste incineration market.

- **Ineffective implementation of hazardous waste control policies.** Despite the fact that the PRC government has released stringent regulations on the discharge of hazardous waste, certain industry participants may not strictly comply with such regulations due to cost concerns. As a result, the ineffective implementation of the hazardous waste control policies is likely to reduce the total demand for hazardous waste incineration disposal and pose threats to the development of the incineration market.

(4) Such projects under construction refer to centralised hazardous waste incineration projects under construction each with an annual designed disposal capacity of no less than 10,000 tonnes, excluding cement plant co-treatment projects.

Entry barriers

Technological barrier. Hazardous waste incineration market is technology-intensive which involves comprehensive technologies in chemical, mechanical and environmental engineering. The demand for professional talents, investment on research and development and development of cutting-edge intellectual properties all set high technological market-entry barriers. Only companies with strong technological capabilities and industry expertise are able to compete effectively in the market, whereas new comers may find it difficult to cope with the learning curve and accumulate technological capability in a short term.

Experience barrier. Solution providers need to accumulate substantial project execution experience to be able to deliver solutions that can be translated into environmentally compliant and economically efficient hazardous waste disposal systems for steady and long-term operation. New entrants may lack the project experience to obtain engagements from customers who are inclined to look for seasoned solution providers.

Customer relationship barrier. Major solution providers have formed stable and long-term business relationships with customers such as hazardous waste facility operators which would impose an entry barrier to new comers who would have to invest significantly to cultivate customer relationship and win client trust.

Set out below is an overview of the laws and regulations which are relevant to the business operations of our Group in the PRC.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of companies in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》), as promulgated on 29 December 1993 and last amended on 26 October 2018, and took effect on 26 October 2018. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies.

One of our subsidiaries, Guangzhou Weigang, is a joint venture enterprise. The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of a joint venture enterprise are regulated under the Chinese – Foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》), as amended on 3 September 2016, and the Implementation Regulation of the Chinese – Foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), as amended on 19 February 2014. On 3 September 2016, the National People's Congress Standing Committee published the Decision on Revising Four Laws including the Wholly Foreign-owned Enterprise Law of the PRC (《全國人民代表大會常務委員會關於修改《中華人民共和國外資企業法》等四部法律的決定》), which amended the "filing or approval" procedure for foreign investments in the PRC such that foreign investments in business sectors not subject to special administrative measures are only required to complete a filing and are no longer required to apply for approval. Special entry management measures were approved to be promulgated by the State Council. Pursuant to a notice issued by the NDRC and MOFCOM on 8 October 2016, the special entry management measures were implemented with reference to the relevant regulations as stipulated in the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) (the "**Catalogue**") in relation to restricted foreign investment industries, prohibited foreign investment industries and encouraged foreign investment industries, which set out the requirements of shareholdings and senior managers with respect to restrictions on foreign investments in different industries in China. The Special Administrative Measures for the Access of Foreign Investment (Edition 2018) (《外商投資准入特別管理措施(負面清單) (2018年版》) (the "**Negative List (Edition 2018)**"), which was issued by the NDRC and MOFCOM on 28 June 2018 and came into effect on 28 July 2018, repealed the negative list for foreign investment access specified in the Catalogue while the "encouraged" industries list for foreign investment access continues to be valid. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on 8 October 2016 and last amended on 29 June 2018 and took effect on 30 June 2018, establishment and changes of foreign investment enterprises not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities.

The Provisions on Guiding Foreign Investment (《指導外商投資方向規定》) promulgated by the State Council on 11 February 2002, the Catalogue issued by the NDRC and MOFCOM and last amended in 2017 and the Negative List (Edition 2018) classify foreign investment projects into four categories: encouraged projects, permitted projects, restricted projects and prohibited projects. The purpose of these regulations is to direct foreign investment into certain priority industry sectors and restrict or prohibit investment in other sectors. If the industry sector in which the investment is to be made falls into the encouraged category, foreign investment can be conducted through the establishment of a joint venture enterprise. If the foreign investment relates to a restricted category, it may be conducted through the establishment of a joint venture enterprise, provided certain requirements are met, and, in some cases, the establishment of a joint venture enterprise requires minimum shareholdings to be held by the Chinese party depending on the particular industry. All foreign investments relating to a prohibited category are not allowed. Any industry not falling within any of the encouraged, restricted or prohibited categories is classified as a permitted industry for foreign investment. Environmental protection technology research and development, environmental protection technology consulting, environmental protection solutions design and other environmental protection industries belong to the category of permitted projects in the Catalogue. Foreign investors may therefore participate in the construction and operation of environmental protection projects in the PRC by establishing joint venture enterprises or wholly foreign-owned enterprises.

Registered Capital System

According to the Provisional Regulations for the Proportion of Registered Capital to Total Investment Amount of Sino-foreign Equity Joint Ventures (《國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定》) (the "**Provisional Regulations**"), which were promulgated by the SAMR and effective from 17 February 1987, the registered capital of a Sino-foreign equity joint venture shall be appropriate for the scale and scope of its production and operations. Under the Provisional Regulations, where the total investment amount of a Sino-foreign equity joint venture is between US$3 million and US$10 million (inclusive), its registered capital shall be at least 50% of its total investment amount; where the total investment amount of a Sino-foreign equity joint venture is between US$10 million and US$30 million (inclusive), its registered capital shall be at least 40% of its total investment amount; where the total investment amount of a Sino-foreign equity joint venture exceeds US$30 million, its registered capital shall be at least one-third of its total investment amount. The ratio between the registered capital and the total investment of an enterprise with sole foreign investment will be determined with reference to the Provisional Regulations.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection Law

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated on 26 December 1989, amended on 24 April 2014 and came into effect on 1 January 2015, the Environmental Protection Administrative Department of the State Council is empowered to formulate the environmental quality standards and pollutant discharge standards of the PRC at the national level. Public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation, etc. generated during production, construction or other activities. The PRC adopts the pollution discharge licence management system in accordance with the law. Enterprises, public institutions and other producers and operators that implement the pollution discharge licence management shall discharge pollutants according to the requirements of the pollution discharge licence; and those that fail to obtain the pollution discharge licence shall not discharge pollutants. However, the businesses of environmental protection technology research and development, environmental protection technology consulting, design of environmental protection solutions which our PRC subsidiaries currently engaged in, are not involved in businesses of pollutants discharge, therefore our PRC subsidiaries have no need to obtain relevant licences for pollutants discharge.

Solid Waste Pollution

Pursuant to the PRC Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), which was promulgated on 30 October 1995, and last revised and came into effect on 7 November 2016, producers, sellers, importers and users are responsible for the prevention and control of solid waste pollution, and should take measures to prevent or reduce the environmental pollution of solid waste. Entities engaged in the collection, storage and disposal hazardous wastes shall be subject to the administrative departments of environmental protection of the people's governments. It is forbidden to collect, store, utilise or disposal hazardous wastes without the business licence. However, the businesses of environmental protection technology research and development, environmental protection technology consulting, environmental protection solutions design which our PRC subsidiaries currently engaged in, are not involved in the businesses of solid waste collection, storage, use and disposal, therefore our PRC subsidiaries have no need to obtain relevant licences for the operation of solid waste pollution.

Hazardous Waste Business Licence

According to the Measures for the Administration on Hazardous Waste Business Licensing (《危險廢物經營許可證管理辦法》), which was promulgated by the State Council, became effective on 1 July 2004 and was amended on 7 December 2013 and 6 February 2016, entities engaged in the hazardous waste collection, storage and treatment business shall obtain a hazardous waste business licence from environmental protection regulatory authorities under the municipal government at the county level or above. Entities may not engage in the hazardous waste collection, storage or treatment business without a valid hazardous waste business licence or full compliance with such licence, otherwise the illegal gains will be confiscated, and the entities will be subject to a fine in an amount which depends on the illegal gains. However, the businesses of environmental protection technology research and development, environmental protection technology consulting, environmental protection solutions design which our PRC subsidiaries currently engaged in, are not involved in the businesses of hazardous waste collection, storage, use and disposal, therefore our PRC subsidiaries have no need to obtain relevant licences for hazardous waste businesses.

Cement Kiln Co-treatment

According to the Examination Guideline for the Permit for Operation of Hazardous Waste of Cement Kiln Co-treatment (for Trail Implementation) (《水泥窑協同處置危險廢物經營許可證審查指南(試行》)), which was promulgated by the MEE and became effective on 27 May 2017, cement kiln co-treatment of hazardous waste entity means the independent legal entity or a consortium formed by legal entities to engages in cement kiln co-treatment and auxiliary pre-treatment activities for cement plant co-treatment. Cement kiln co-treatment of hazardous waste entities shall comply with the provisions of Measures for the Administration of Permits for Operation Hazardous Wastes to obtain a permit for the comprehensive collection, storage and disposal of dangerous waste. However, our subsidiaries in the PRC are currently engaged in the research and development of cement kiln solutions for the parallel incineration, pre-treating hazardous wastes in parallel incineration cement kilns and further burning the hazardous wastes in cement kilns, which does not involve in businesses of hazardous waste collection, storage, use and disposal, therefore our PRC subsidiaries have no need to obtain relevant licences for hazardous waste businesses.

Urban Living Garbage

According to the Administration Measures for Urban Living Garbage (《城市生活垃圾管理辦法》), which was promulgated on 10 August 1993 and took effect on 1 September 1993, subsequently amended on 28 April 2007 and took effect on 1 July 2007, and last revised and came into effect on 4 May 2015, enterprises shall obtain the permits for urban living garbage cleaning, collection and transportation to engage in urban living garbage cleaning, collection and transportation businesses and for urban living garbage operating disposal to engage in urban living garbage operating disposal business. Our subsidiaries in China are currently engaged in the research and development of environmental protection technology for urban living garbage disposal, but are not involved in the businesses of urban living garbage cleaning, collection, transportation and operating disposal, therefore our PRC subsidiaries are not required to obtain relevant licences for urban living garbage operating businesses.

Oil Sludge Treatment

According to the National Catalogue of Hazardous Waste (《國家危險廢物名錄》), which was promulgated on 4 January 1998 and became effective on 1 July 1998, as amended on 14 June 2016 and effective on 1 August 2016, oil sludge is considered a hazardous waste. Pursuant to the Measures for the Administration on Hazardous Waste Business Licensing (《危險廢物經營許可證管理辦法》), entities engaging in the hazardous waste collection, storage and treatment business shall obtain a hazardous waste business licence from environmental protection regulatory authorities under the municipal government at the county level or above. Our subsidiaries in China are currently engaged in the research and development of oil sludge treatment technologies, which do not involve oil sludge treatment, therefore our subsidiaries are not required to obtain relevant licences for research and development of oil sludge treatment technologies.

According to the Law on Prevention and Control of Soil Pollution of the PRC (《中華人民共和國土壤污染防治法》), which was promulgated on 31 August 2018 and will become effective on 1 January 2019, entities engaged in soil pollution status investigation and soil pollution risks assessment, risks management and control, restoration, effectiveness evaluation on risk management and control, effectiveness evaluation on restoration and post management, shall have corresponding specialised capacity. However, there are no specific conditions or requirements stipulated under the current PRC laws for such specialised capacity.

Construction Projects

Pursuant to the Law on Appraisal of Environment Impacts of the PRC (《中華人民共和國環境影響評價法》), which was promulgated on 28 October 2002 and came into effect on 1 September 2003, as amended on 2 July 2016 and came into effect on 1 September 2016, on the basis of the extent of effects exerted on the environment by construction projects, a construction entity shall prepare a construction project environmental impact report, an environmental impact report form or an environmental impact registration form on the environmental impacts of the construction projects, which shall be approved by or filed with the competent environmental protection administrative department. In the course of the construction project, the construction entity shall carry out the environmental protection measures as proposed by the competent environmental protection administration departments.

Pursuant to the Management Regulations of Environmental Protection of Construction Project (《建設項目環境保護管理條例》), which was promulgated by the State Council and became effective on 29 November 1998, and last revised on 16 July 2017 and came into effect on 1 October 2017, a system has been implemented for the evaluation of the environmental impacts of a construction project. A construction entity shall, upon or prior to the commencement of construction or, during the phase of feasibility study, submit a construction project environmental impact report, an environmental impact report form or an environmental impact registration form, to the competent environmental protection administrative department for approval. Furthermore, the construction entity shall, during a certain construction stage or upon completion of the construction project, file an application with the environmental

protection administrative department that examined and approved the said construction project for inspection and approval. Our subsidiaries in China currently are engaged in the businesses of environmental protection technology research and development, environmental protection technology consulting and environmental protection solutions design, which do not involve construction projects, and therefore each of these subsidiaries not required to submit an evaluation of the environmental impacts of a construction project.

Maintenance Services

Our maintenance services involve technology consulting and after-sales services. As for technology consulting, we provide maintenance services as part of environmental protection technology consulting and design of environmental protection solutions, and there is no need for us to obtain relevant specific licences or permits. As for after-sales services, we generally provide a warranty period of one to two years for our solutions starting from the completion of our projects with repair and maintenance services and other technical support. We outsource the construction and other related engineering work to third-party sub-contractors and we do not involve construction projects which require specific licences or evaluation of the environmental impacts of a construction project. In conclusion, there is no need for us to obtain relevant specific licences or permits in respect of providing maintenance services.

LAWS AND REGULATIONS RELATING TO CONSTRUCTION PROJECT

Production Safety

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated on 29 June 2002 and came into effect on 1 November 2002, as last amended on 31 August 2014 and came into effect on 1 December 2014, and Regulations of the Work Safety Licence Regulation (《安全生產許可證條例》), which were promulgated and came into effect on 13 January 2004 and amended and took effect on 29 July 2014, enterprises engaged in construction are subject to the work safety licensing system, and no enterprise may engage in production activities without a work safety licence. Xinjiang Wosen, our subsidiary in China, holds a work safety licence and a Qualification Certificate for Enterprise in Construction Industry (《建築業企業資質證書》) ("**Certificate for Construction**"). Therefore, Xinjiang Wosen is permitted to participate in construction within the type and grade stipulated in its Certificate for Construction. Xinjiang Wosen and other subsidiaries in China are not currently engaged in construction business.

Qualification of Construction Enterprises

Pursuant to the Construction Law of the PRC (《中華人民共和國建築法》) which was promulgated on 1 November 1997 and took effect on 1 March 1998, as amended on 22 April 2011 and came into effect on 1 July 2011, and the Administrative Provisions on the Qualification of Construction Enterprises (《建築業企業資質管理規定》), which was promulgated on 6 October 1995 and took effect on 15 October 1995, as amended on 22 January 2015 and took effect on 1 March 2015, all construction activities shall adhere to the state safety

standards for construction projects. Building construction enterprises shall be classified into different grades of human quality in accordance with such human quality qualifications as the registered capital, specialised technical personnel, technical equipment in their possession and achievements in construction projects completed, and may engage in construction activities within the scope permitted by their respective human quality grades on obtaining the corresponding grade of human quality certificates upon passing human quality examination. Our PRC subsidiary Xinjiang Wosen has the Qualification Certificate for Enterprise in Construction Industry (《建築業企業資質證書》) with the qualification type and grade of environmental protection engineering professional contracting level 2. Currently, we mainly hire sub-contractors (such as contract manufacturing) to carry out our commissioned construction works, and Xinjiang Wosen and other PRC subsidiaries are not engaged in construction activities.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated on 12 March 1984 and became effective on 1 April 1985, and subsequently amended on 27 December 2008 and took effect on 1 October 2009, an individual or entity may apply for patent rights in connection with any inventions, utility models or designs. The validity term of the patent rights for each invention shall be 20 years while the validity terms of utility models and designs shall be ten years, all commencing from the date of application. Unless otherwise stipulated by law, no individual or entity may, without the authorisation of the patent owner, exploit the patents, that is, to make, use, offer to sell, sell or import patented products, use the patented process, or use, offer to sell, sell or import any product manufactured directly through the patented process, for commercial purposes.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on 23 August 1982 and took effect on 1 March 1983, and last amended on 30 August 2013 and became effective on 1 May 2014 (the "**Trademark Law**"), the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, commencing from the date of registration, and may be extended thereafter, with each extension for ten years. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorisation of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer may be required in accordance with the regulations to undertake to cease the infringement, take remedial action, and pay damages, etc.

Computer Software Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated on 7 September 1990 and became effective on 1 June 1991, and last amended on 26 February 2010 and took effect on 1 April 2010, copyright protection extends to computer software, and the Copyright Protection Centre of China provide voluntary register system.

According to the Regulation on Computer Software Protection (《計算機軟件保護條例》), which was promulgated on 4 June 1991 and became effective on 1 October 1991, and last amended on 30 January 2013 and took effect on 1 March 2013, the software copyright shall exist from the date on which its development has been completed, and software copyright owner may register with the software registration institution recognised by the copyright administration department of the State Council.

REGULATION ON FOREIGN EXCHANGE

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), as issued on 29 January 1996 and took effect on 1 April 1996, amended and effected on 5 August 2008, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless prior approval is obtained from SAFE and prior registration with SAFE is made.

The Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**SAFE Circular 19**") was promulgated by SAFE on 30 March 2015 and took effect on 1 June 2015 in replacement of SAFE Circular 142, SAFE Circular 59 and SAFE Circular 45. SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) ("**SAFE Circular 16**"), effective on 9 June 2016, which, among other things, amend certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

From 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedure. Pursuant to these circulars, the opening of various special purpose foreign exchange accounts, the reinvestment of RMB proceeds by foreign investors in the PRC and remittance of foreign exchange profits and dividends by a

foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE. In addition, domestic companies are allowed to provide cross-border loans not only to their offshore subsidiaries, but also to their offshore parents and affiliates. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and the relevant banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**SAFE Circular 13**"), which took effect on 1 June 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

On 26 January 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) ("**SAFE Circular 3**"), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years and audited financial statements fits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Dividend Distribution

The principal regulations governing distribution of dividends of foreign-invested enterprises include the PRC Company Law (《中華人民共和國公司法》), the Chinese – Foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》), and the Implementation Regulation of the Chinese – Foreign Equity Joint Venture Law (《中外合資經營企業法實施條例》). Under these laws and regulations, joint venture enterprises in the PRC may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, joint venture enterprises in the PRC are required to allocate a part of their respective accumulated profits each year reference to the ratio stipulated by the board. Joint venture companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE promulgated the Notice on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment made by Domestic Residents through Special - Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular No. 37**") in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

Circular No. 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) issued by SAFE in October 2005. SAFE further enacted SAFE Circular 13, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the Circular No. 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Regulations on Stock Incentive Plans

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"), replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, and

the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, Circular No. 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

REGULATIONS RELATED TO TAX

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "**EIT Law**"), which issued on 16 March 2007 and became effective on 1 January 2008 amended and became effective on 24 February 2017, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its "de facto management bodies" located within the PRC is considered a "resident enterprise", meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises", and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and other jurisdictions. Pursuant to the Arrangement Between the Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Double Tax Avoidance Arrangement**") and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the

10% withholding tax on the dividends which the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) issued on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. On 3 February 2018, the SAT issued the Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement (《關於税收協定中"受益所有人"有關問題的公告》) ("**Circular 9**"), which provides guidance for determining whether a resident of a contracting state is the "beneficial owner of an item of income under china's tax treaties and similar arrangements". According to Circular 9, a beneficial owner generally must be engaged in substantive business activities, and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits.

According to the EIT Law, high and new technology enterprises to which the State needs to give key support are given the reduced enterprise income tax rate of 15%. Research and development expenses incurred by enterprises in the development of new technologies, new products and new techniques may be additionally deducted at the time of calculating taxable income.

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council on 13 December 1993 and became effective on 1 January 1994, was amended and took effect on 19 November 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》), which was promulgated by the MOF and took effect on 25 December 1993 and last amended by the MOF on 28 October 2011 and took effect on 1 November 2011, all taxpayers selling goods, providing processing, repairing or replacement services, or importing goods, within the PRC shall pay value-added tax.

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業税暫行條例》), which issued on 13 December 1993 and became effective on 1 January 1994 and were subsequently amended on 10 November 2008 and took effect on 1 January 2009, and abolished on 19 November 2017 and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (《營業税税目税率表》) attached to the regulation.

Since 16 November 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業税改徵增值税試點方案》) (the "**VAT Pilot Plan**"), which imposes VAT in lieu of business tax for certain "modern service industries" in certain regions from 1 January 2012 and eventually expanded to nation-wide

application in 2013. According to the implementation railroad circulars released by the MOF and the SAT on the VAT Pilot Programme, the "modern service industries" include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Programme of Replacing Business Tax with Value-Added Tax in an All-round Manner (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》) which became effective on 1 May 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax instead of business tax. Following the implementation of the VAT Pilot Plan, most of our PRC subsidiaries and affiliates have been subject to VAT, at a rate of 6% or 17%, instead of business tax. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》), which was promulgated by the MOF and the SAT on 4 April 2018 and became effective on 1 May 2018, the value-added tax rates of taxable sales activities shall be adjusted from 17% and 11% to 16% and 10%, respectively.

M&A RULES AND OVERSEAS LISTINGS

On 8 August 2006, six PRC regulatory agencies, including the CSRC, adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which became effective on 8 September 2006 and was amended and took effect on 22 June 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

EMPLOYMENT LAWS

Pursuant to the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》) and the Implementing Regulations of the PRC Employment Contracts Law (《中華人民共和國勞動合同法實施條例》), labour relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labour safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Under PRC laws, rules and regulations, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

OUR HISTORY

We are a leading comprehensive hazardous waste incineration turnkey solution provider in China focused on the research, design, integration and commissioning of solid waste treatment systems, particularly for hazardous waste incineration. During the Track Record Period, we are primarily engaged in, and generated a substantial portion of our revenue from, the design, integration and commissioning of hazardous waste incineration systems in China.

The business history of our Group can be traced back to 1998 when our predecessor company, Guangzhou Weigang E&ME, was established by Mr. Cai and his mother-in-law, Ms. Hu Huilan, to provide maintenance and advancement services for environmental protection facilities. Guangzhou Weigang E&ME was owned as to 70% by Mr. Cai and 30% by Ms. Hu Huilan. In 2006, Guangzhou Weigang E&ME was engaged by an affiliate of Dongjiang Group to provide solutions for the design and commissioning of a rotary kiln incineration system for hazardous waste treatment at the Guangdong HWCTDC, which successfully commenced its operation in 2008. According to Frost & Sullivan, Guangdong HWCTDC was the first comprehensive hazardous waste treatment facility approved and accepted for operation by the MEE in China.

To seize the growth potential of hazardous waste treatment industry in China, Mr. Cai and his wife, Ms. Huang founded Guangzhou Weigang in 2009 which was held as to 70% and 30% by Mr. Cai and Ms. Huang, respectively. The business of Guangzhou Weigang E&ME was transferred to Guangzhou Weigang, along with its staff in 2009. In 2011, our Group was engaged to provide integrated solutions for the rotary kiln incineration system of the Shenzhen Hazardous Waste Incineration Centre* (深圳市危險廢物焚燒中心). Over the years, owing to the increased recognition of our services by our customers, our clientele has gradually expanded and currently includes the subsidiaries and affiliates of global environmental service providers such as SUEZ, as well as major centralised hazardous waste treatment facility operators in China, such as Dongjiang Group. As at 30 June 2018, the aggregate designed disposal capacity of our hazardous waste incineration projects has reached approximately 566,000 tonnes per annum. To support our expansion needs, we have continued to recruit and retain personnel specialising in research and development as well as project management in relation to our business. As at the Latest Practicable Date, we had 200 employees, among which more than 150 were personnel conducting research and development, project management and execution for our business.

In May 2016, to take advantage of Mr. Ren's experience in corporate finance and corporate governance and his business connections, the then shareholders of Guangzhou Weigang, namely, Mr. Cai and Ms. Huang, entered into a legally binding memorandum of understanding with Mr. Ren, whereby Mr. Ren would directly or indirectly acquire 29.99% equity interest in Guangzhou Weigang, and Mr. Cai and Ms. Huang would directly or indirectly retain the remaining 70.01% interest (the "**MOU**"). Mr. Ren became acquainted with Mr. Cai and Ms. Huang through Mr. Ren's amicable relationship with Dongjiang Group. Mr. Ren was a supervisor of Dongjiang Group from June 2016 to September 2016. Pursuant to the MOU, on 8 November 2016, Mr. Ren through Jade Road acquired 25% equity interest in Guangzhou

Weigang at a consideration of RMB12.1 million determined with reference to the net asset value of Guangzhou Weigang as at 31 May 2016, and as part of the Reorganisation, on 7 July 2017, Mr. Ren transferred his interest in Jade Road to Jade Far in consideration of the allotment and issue of 1,000 shares in Jade Far to Jade Fly. Further, pursuant to the MOU, on 11 September 2017, Jade Fly acquired approximately 4.99% of the then total issued Shares at a consideration of RMB2,584,820 determined with reference to the net asset value of Guangzhou Weigang as at 31 October 2016. Please refer to the paragraphs headed "– Corporate History – Shareholding Changes in Guangzhou Weigang", "– [**REDACTED**] Investments" and "– Reorganisation" of this section for further details.

BUSINESS MILESTONE

The table below sets out the development milestones of our Group.

Year	Event
1998	Our predecessor, Guangzhou Weigang E&ME, was established on 18 August 1998.
2008	Guangzhou Weigang E&ME successfully delivered our first hazardous waste incineration solution for the design and commissioning of a rotary kiln incineration system at the Guangdong HWCTDC in 2008.
2009	Our major PRC operating subsidiary, Guangzhou Weigang, was established on 15 July 2009.
2013	Our Group successfully delivered our hazardous waste incineration solution for the design and commissioning of a rotary kiln incineration system at the Shenzhen Hazardous Waste Incineration Centre.
2015	Guangzhou Weigang was recognised as a "2015 Technology Innovative Small Giant Enterprise of Guangzhou City"* (2015年廣州市科技創新小巨人) by the Guangzhou Municipal Government.
2016	Guangzhou Weigang was granted as a "High and New Technology Enterprise"* (高新技術企業證書) by the Guangdong Provincial Government on 30 November 2016 for a period of three years and the hazardous waste incineration systems designed by us were certified as "High and New Technology Product of Guangdong Province"* (廣東省高新技術產品) by the Guangdong Provincial Government in December 2016 for a period of three years.
2017	We entered into a service contract with an oil service provider in China for the leasing of, and the provision of operation and maintenance services for, an oil sludge thermal desorption treatment facility in Karamay, Xinjiang, China.
2018	As at the Latest Practicable Date, we had 23 registered patents in China.

CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 May 2017. Its principal business activity is investment holding. As part of the Reorganisation, our Company became the ultimate holding company of our Group. Please refer to the paragraph headed "– Reorganisation" of this section for details on the Reorganisation and the subsection headed "A. Further Information about our Company – 2. Changes in share capital" in Appendix IV to this document for further details on changes in the share capital of our Company for the two (2) years immediately preceding the date of this document.

Our Subsidiaries

As at the Latest Practicable Date, we have ten subsidiaries, further details of which are set out below (in the order from top to bottom of the Shareholding structure chart of our Group):

Name	Place of establishment	Date of establishment	Principal business activity	Registered capital/issued share capital		Ownership percentage	
				As at the date of establishment	As at the Latest Practicable Date	As at the date of its establishment	As at the Latest Practicable Date
WeiGang Environment	BVI	11 May 2017	Investment holding	Nil	US$1	Nil	100%
Jade Far	BVI	16 May 2017	Investment holding	US$1	US$1,001	Nil	100%
Weigang Holdings (Hong Kong)	Hong Kong	19 September 2016	Investment holding	HK$10,000	HK$10,000	Nil	100%
Jade Road	Hong Kong	28 October 2015	Investment holding	HK$10,000	HK$10,000	Nil	100%
Guangzhou Weigang	PRC	15 July 2009	Providing solutions for solid waste treatment	RMB10.0 million	RMB400 million	100%	90%*(Note 1)*
Shenzhen Xinnengji	PRC	24 November 2016	Providing research and development of environmental protection technologies and facilities	RMB7.6 million	RMB28 million	Nil	100%*(Note 2)*

Name	Place of establishment	Date of establishment	Principal business activity	Registered capital/issued share capital		Ownership percentage	
				As at the date of establishment	As at the Latest Practicable Date	As at the date of its establishment	As at the Latest Practicable Date
Chaozhou Xinnengji	PRC	16 March 2017	No business activity as at the Latest Practicable Date	RMB10.0 million	RMB10 million	90%	90%*(Note 3)*
Guangdong Lvhuan	PRC	28 August 2017	No business activity as at the Latest Practicable Date	RMB10.0 million	RMB10 million	51%	51%*(Note 4)*
Xinjiang Wosen	PRC	17 November 2011	Providing research and development of environmental protection technologies and facilities	RMB10.0 million	RMB5 million	Nil	100%*(Note 5)*
Weierneng Environmental	PRC	25 July 2018	No business activity as at the Latest Practicable Date	RMB20.0 million	RMB20.0 million	51%	51%*(Note 6)*

Notes:

(1) When Guangzhou Weigang was established, it was owned as to 70% by Mr. Cai and 30% by Ms. Huang, respectively. As at the Latest Practicable Date, it was owned as to 90% indirectly by our Company and as to 10% directly by Orient Landscape. For details on historical shareholding changes in Guangzhou Weigang, please refer to the paragraphs headed "Corporate History – Shareholding Changes in Guangzhou Weigang" of this section and "A. Further Information about our Company – 5. Changes in share capital of subsidiaries" in Appendix IV to this document.

(2) Shenzhen Xinnengji had been wholly owned by Mr. Li Yuanjing from the date of its establishment. Guangzhou Weigang acquired approximately 72.86% of Shenzhen Xinnengji's equity interest and the remaining 27.14% from Mr. Li Yuanjing on 8 March 2017 and 14 September 2018, respectively. Mr. Li Yuanjing is an Independent Third Party, save for his interest in options granted pursuant to the [**REDACTED**] Share Option Scheme. For details on his interest in such options, please refer to the paragraph headed "Statutory and General Information – D. [**REDACTED**] Share Option Scheme" in Appendix IV to this document.

(3) Since its establishment, Chaozhou Xinnengji has been owned as to 90% by Shenzhen Xinnengji and 10% by Mr. Guo Xudong who is an Independent Third Party, save for his interest in and being a director of Chaozhou Xinnengji. It was established for the purpose of conducting research and development activities for environmental protection technologies and facilities. As at the Latest Practicable Date, it had not commenced any business. Chaozhou Xinnengji is currently under the process of deregistration. For further details, please refer to the paragraph headed "– Corporate History – Deregistration of Chaozhou Xinnengji" of this section.

(4) Since its establishment, Guangdong Lvhuan has been owned as to 51% by Guangzhou Weigang and 49% by Guangdong Xingyue which is an Independent Third Party, save for its interest in Guangdong Lvhuan. It was established for the purpose of providing research and development of environmental protection technologies and facilities. As at the Latest Practicable Date, it had not commenced any business.

(5) Since its establishment, our Group had no interest in Xinjiang Wosen until 25 November 2015 on which Guangzhou Weigang acquired 20% equity interest in Xinjiang Wosen from Mr. Cai and 30% from two Independent Third Parties. On 13 December 2016, Guangzhou Weigang further acquired from the two Independent Third Parties the remaining 50% equity interest in Xinjiang Wosen which has since then been an indirectly wholly owned subsidiary of our Company.

(6) Since its establishment, Weierneng Environmental has been owned as to 51% by Shenzhen Xinnengji and 49% by Shandong Kangrong which is an Independent Third Party, save for its interest in Weierneng Environmental. It was established for the purpose of carrying out research and development activities for environmental protection technologies and facilities as well as commercialisation of certain technologies. As at the Latest Practicable Date, it had not commenced any business.

For further details on change in the share capital of our subsidiaries for the two (2) years immediately preceding to the date of this document, please refer to the paragraph headed "A. Further Information about our Company – 5. Changes in share capital of subsidiaries" in Appendix IV to this document.

Shareholding Changes in Guangzhou Weigang

On 8 November 2016, pursuant to the MOU, Ms. Huang and Jade Road entered into an equity interest transfer agreement whereby Jade Road agreed to purchase, and Ms. Huang agreed to sell, 25% equity interest in Guangzhou Weigang to Jade Road at a consideration of RMB12.1 million which was determined with reference to the net asset value of Guangzhou Weigang as at 31 May 2016. The consideration was fully settled on 24 January 2017. The sale proceeds were put to personal use of Ms. Huang. Such transfer was validly completed on 26 December 2016 on which the registration of such transfer with relevant PRC authority was completed. Please refer to the paragraphs headed "– [**REDACTED**] Investments" and "– Reorganisation" of this section for further details.

As part of the Reorganisation, (i) on 5 August 2017, Weigang Holdings (Hong Kong), one of our wholly owned subsidiaries, acquired 75% equity interest in Guangzhou Weigang from Mr. Cai and Ms. Huang, and (ii) on 8 September 2017, our Company acquired the remaining 25% of its equity interest held by Jade Road via acquisition of the holding company of Jade Road, namely, Jade Far. Immediately following such acquisitions, Guangzhou Weigang was indirectly wholly owned by our Company. For details on the acquisitions, please refer to the paragraph headed "– Reorganisation – (4) Acquisition of Guangzhou Weigang by Weigang Holdings (Hong Kong) and acquisition of the entire share capital of Jade Far by our Company" of this section.

As a result of the subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape on 4 April 2018, Orient Landscape acquired 10% of the equity interest in Guangzhou Weigang while the remaining 90% of its equity interest remains to be held by our Group. For further details on the subscription, please refer to the paragraph headed "– Reorganisation – (9) Subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape" of this section.

Deregistration of Chaozhou Xinnengji

Chaozhou Xinnengji was set up for the purpose of carrying out research and development activities for environmental protection technologies and facilities. As at the Latest Practicable Date, it had not commenced any business and was under the process of deregistration. Since Weierneng Environmental has been established to carry out similar activities as those intended by Chaozhou Xinnengji with potential benefit from larger registered capital and diverse shareholder base of Weierneng Environmental, our Directors consider that it is in the best interest of our Group and our Shareholders as a whole to deregister Chaozhou Xinnengji in order to optimise our corporate structure and our administrative and operational resources. The deregistration has obtained local tax authorities' approval in September 2018 and it is in the course of public notification period with Chaozhou Municipal Administration for Industry and Commerce* (潮州市工商行政管理局). To the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, the deregistration process is expected to be completed in December 2018.

[**REDACTED**] INVESTMENTS

The following table summarises the details of the [**REDACTED**] Investments:

Name of [REDACTED] Investor	**Mr. Ren**		**Siu Waiyuen**	**Ng Ho Man**	**Chen Chien-Ming**
Date of agreement:	1 May 2016 *(Note 3)*		13 February 2018	13 February 2018	28 March 2018
Amount of consideration paid:	RMB12,100,000 *(Note 3)*	RMB2,584,820 *(Note 3)*	RMB5,657,050.05 *(Note 5)*	RMB8,075,000.00 *(Note 6)*	RMB4,002,349.95 *(Note 7)*
Date of acquisition:	8 November 2016 *(Note 3)*	11 September 2017 *(Note 3)*	13 February 2018	13 February 2018	9 April 2018
Date of payment of the consideration:	24 January 2017 *(Note 3)*	1 December 2017 *(Note 3)*	13 February 2018	13 February 2018	9 April 2018
Number of Shares subscribed and held upon [REDACTED]:	299,900,000		6,655,353	9,500,000	4,708,647
Cost per Share paid:	[**REDACTED**]		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Percentage of shareholding upon the [REDACTED] *(Note 1)*:	[**REDACTED**]%		[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Discount to the [REDACTED] *(Note 2)*:	[**REDACTED**]		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Bases of determining the consideration:	Based on arm's length negotiations and with reference to the net asset value of Guangzhou Weigang as at 31 May 2016.	Based on arm's length negotiations and with reference to the net asset value of Guangzhou Weigang as at 31 October 2016.	Based on arm's length negotiations and with reference to the profitability of our Group for the year ended 31 December 2017.		
Lock-up period:	Nil.		Each of them is subject to a six-month lock-up period starting from the [**REDACTED**].		

Name of [REDACTED] Investor	Mr. Ren		Siu Waiyuen	Ng Ho Man	Chen Chien-Ming
Use of proceeds from the [REDACTED] Investments:	For Ms. Huang's personal use.	For Mr. Cai's personal use.	Funding the general working capital needs of our Group.		
Utilisation of proceeds:			As at the Latest Practicable Date, 91.5% of the net proceeds from the [**REDACTED**] Investments had been utilised towards our general working capital.		

Notes:

(1) The percentage of shareholding upon the [**REDACTED**] is calculated on the basis that [**REDACTED**] Shares are expected to be in issue immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of options granted under the [**REDACTED**] Share Option Scheme).

(2) The discount to the [**REDACTED**] is calculated based on (i) the assumption that the [**REDACTED**] is HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**], on the basis that [**REDACTED**] Shares are expected to be in issue immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of options granted under the [**REDACTED**] Share Option Scheme); and (ii) the conversion rate of HK$100 for RMB88.198 (being the prevailing exchange rate on 4 December 2018 as quoted by the People's Bank of China).

(3) On 1 May 2016, Mr. Cai and Ms. Huang, entered into the legally binding MOU with Mr. Ren, whereby Mr. Ren directly or indirectly acquired a 29.99% equity interest in Guangzhou Weigang, and Mr. Cai and Ms. Huang directly or indirectly retained the remaining 70.01% interest. Pursuant to the MOU, on 8 November 2016, Mr. Ren through Jade Road acquired 25% equity interest in Guangzhou Weigang at a consideration of RMB12.1 million which was settled on 24 January 2017. Further, pursuant to the MOU, on 11 September 2017, Jade Fly acquired approximately 4.99% of the then total issued Shares at a consideration of RMB2,584,820 which was settled on 1 December 2017. Please refer to the paragraphs headed "– Corporate History – Shareholding Changes in Guangzhou Weigang", "– [**REDACTED**] Investments" and "– Reorganisation" of this section for further details.

(4) For settlement purpose, the consideration was paid in Hong Kong dollars and HK$7,000,000 was paid, which was calculated based on the conversion rate of HK$100 for RMB80.815 agreed between the relevant [**REDACTED**] Investors and us with reference to the mid-point exchange rate quoted on the website of the SAFE on 9 February 2018, which was four days before the date of the relevant share purchase agreement.

(5) For settlement purpose, the consideration was paid in Hong Kong dollars and HK$9,991,957 was paid, which was calculated based on the conversion rate of HK$100 for RMB80.815 agreed between the relevant [**REDACTED**] Investor and us with reference to the mid-point exchange rate quoted on the website of the SAFE on 9 February 2018, which was four days before the date of the relevant share purchase agreement.

(6) For settlement purpose, the consideration was paid in Hong Kong dollars and HK$5,000,000 was paid, which was calculated based on the conversion rate of HK$100 for RMB80.047 agreed between the relevant [**REDACTED**] Investor and us with reference to the mid-point exchange rate quoted on the website of the SAFE on 27 March 2018, which was one day before the date of the relevant share purchase agreement.

No special rights were granted to the [**REDACTED**] Investors in connection with the [**REDACTED**] Investments.

Information about the [REDACTED] Investors and the Strategic Benefits brought by the [REDACTED] Investments

Mr. Ren is a technology investor and has extensive experience in corporate finance and corporate governance, holding directorship in various companies listed in Hong Kong. Mr. Ren is a son of Mr. Ren Jingfeng, a non-executive Director. Our Directors consider that Mr. Ren's experience in corporate governance and corporate finance, and his business connections would benefit, and bring new business opportunities to, our Group.

Mr. Siu Waiyuen is a private investor. Our Directors consider that (i) Mr. Siu Waiyuen would bring strategic benefits to us by bringing in investment and business opportunities through his business connections; and (ii) we would benefit from additional funding for our business development brought by his investment.

Mr. Ng Ho Man is a private investor and the general manager for Guangdong region of Guangzhou Veolia ES Likeng Co., Ltd.* (廣州威立雅固廢能源技術有限公司), an environmental protection services company. Our Directors consider that (i) Mr. Ng Ho Man would bring strategic benefits to us by providing strategic advice to us based on his experience in the environmental protection industry; and (ii) we would benefit from additional funding for our business development brought by his investment.

Mr. Chen Chien-Ming is a private investor and a shareholder of Crown Harvest Company Limited, which is in turn a corporate director and substantial shareholder of M.J. International Co., Ltd.* (美喆國際股份有限公司), a flooring manufacturer listed on the Taiwan Stock Exchange Corporation. Our Directors consider that (i) Mr. Chen Chien-Ming would bring strategic benefits to us by providing strategic advice to us based on his management experience; and (ii) we would benefit from additional funding for our business development brought by his investment.

Relationship with the [REDACTED] Investors

Save for Mr. Ren's relationship with Mr. Ren Jingfeng as his son, the [**REDACTED**] Investors do not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of our Company.

Public Float

To the best of the knowledge, information and belief of our Directors, save for Mr. Ren, (i) none of the [**REDACTED**] Investors is a core connected person of our Company (within the meaning of the Listing Rules) nor is any of them accustomed to taking instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in his name or otherwise held by him; and (ii) none of the [**REDACTED**] Investments was financed directly or indirectly by a core connected person. Accordingly, the Shares to be held by the [**REDACTED**] Investors (other than Mr. Ren) upon the completion of the [**REDACTED**] will count towards part of the public float.

Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor has confirmed that the [**REDACTED**] Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange as the respective considerations payable under the [**REDACTED**] Investments were fully settled on 1 December 2017, 13 February 2018, 13 February 2018 and 9 April 2018, respectively, the latest date among which is more than 28 clear days prior to the date of the first submission of the [**REDACTED**] to the Stock Exchange, and no special rights were granted to the [**REDACTED**] Investors in connection with the [**REDACTED**] Investments. The Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange is not applicable to the [**REDACTED**] Investments as no convertible instrument was issued.

REORGANISATION

In preparation for the [**REDACTED**], our Group underwent the following restructuring steps:

(1) the incorporation of WeiGang Technology, Jade Fly, Jade Far, our Company, WeiGang Environment and Weigang Green;

(2) the acquisition of the entire issued share capital of WeiGang Technology by Weigang Green;

(3) the transfer of the entire issued share capital of Jade Road from Mr. Ren to Jade Far and acquisition of the entire share capital of Weigang Holdings (Hong Kong) by Weigang Environment;

(4) the acquisition of equity interests in Guangzhou Weigang by Weigang Holdings (Hong Kong);

(5) the acquisition of the entire issued share capital of Jade Far by our Company;

(6) the transfer of 349 Shares by WeiGang Technology to Jade Fly;

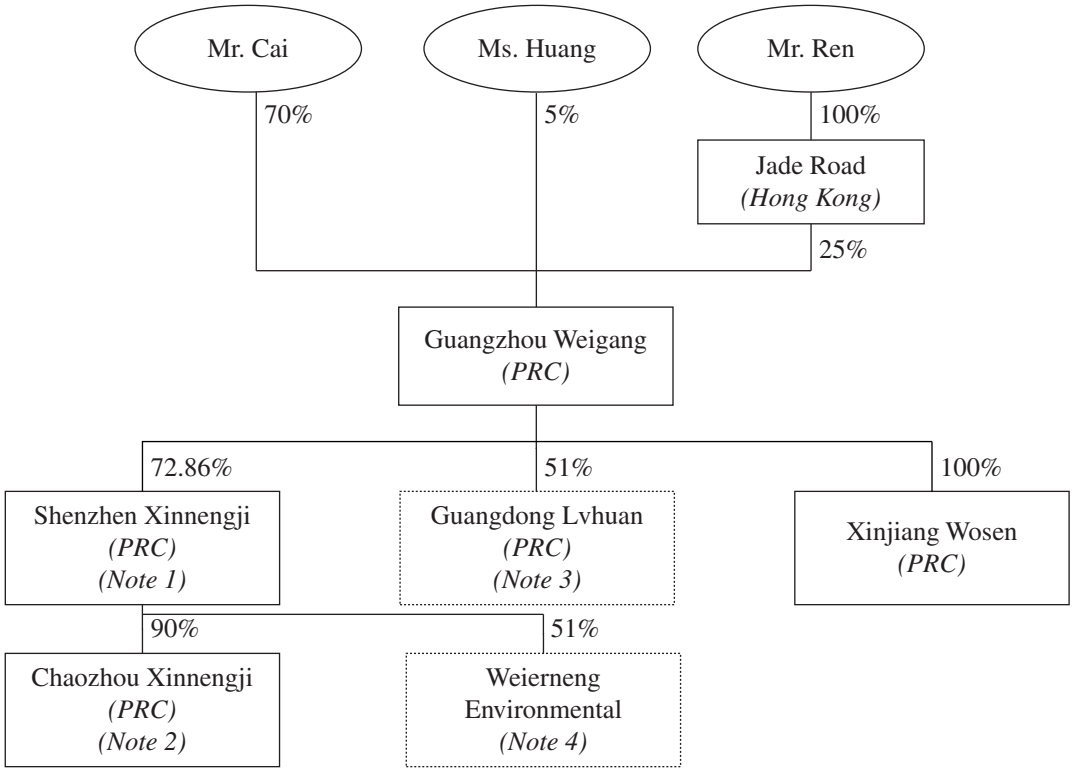
(7) the Loan Capitalisation Issue and Share Consolidation;

(8) the [**REDACTED**] Investments (other than Mr. Ren's investment); and

(9) the subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape.

Shareholding Structure prior to the Reorganisation

The shareholding structure in respect of our Group immediately prior to the Reorganisation is set out below:



Notes:

(1) The remaining 27.14% equity interest in Shenzhen Xinnengji was at that time owned by Mr. Li Yuanjing. As at the Latest Practicable Date, Shenzhen Xinnengji is our indirectly wholly owned subsidiary. For details on Shenzhen Xinnengji's historical shareholding changes, please refer to the paragraph headed "A. Further Information about our Company – 5. Changes in share capital of subsidiaries" in Appendix IV to this document.

(2) The remaining 10% equity interest in Chaozhou Xinnengji is owned by Mr. Guo Xudong who is an Independent Third Party save for his interest in and being a director of Chaozhou Xinnengji. Chaozhou Xinnengji is currently under the process of deregistration. For further details, please refer to the paragraph headed "– Corporate History – Deregistration of Chaozhou Xinnengji" of this section.

(3) Before the commencement of the Reorganisation, Guangdong Lvhuan had yet not been established. It was established on 28 August 2017. Immediately upon its establishment, the equity interest in Guangdong Lvhuan was owned as to 51% by Guangzhou Weigang. The remaining 49% equity interest in Guangdong Lvhuan is owned by Guangdong Xingyue which is an Independent Third Party save for its interest in Guangdong Lvhuan.

(4) Weierneng Environmental was established on 25 July 2018. Immediately upon its establishment, the equity interest in Weierneng Environmental was owned as to 51% by Shenzhen Xinnengji. The remaining 49% equity interest in Weierneng Environmental is owned by Shandong Kangrong which is an Independent Third Party save for its interest in Weierneng Environmental.

(1) Incorporation of WeiGang Technology, Jade Fly, Jade Far, our Company, WeiGang Environment and Weigang Green

WeiGang Technology was incorporated in the BVI as a limited liability company on 3 January 2017 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of its incorporation, WeiGang Technology allotted and issued at par one share, representing its then entire issued share capital, to Weigang Holdings (BVI) which was in turn wholly owned by Mr. Cai.

Jade Fly was incorporated in the BVI as a limited liability company on 12 May 2017 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of its incorporation, Jade Fly allotted and issued at par one share, representing its then entire issued share capital, to Mr. Ren. Since its incorporation, Jade Fly has been wholly owned by Mr. Ren.

On 16 May 2017, Jade Far was incorporated in the BVI as a limited liability company. Since its incorporation, Jade Far was wholly owned by Jade Fly (which was in turn wholly owned by Mr. Ren) until 8 September 2017.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 May 2017 with an initial authorised share capital of HK$380,000.00 divided into 38,000,000 shares of HK$0.01 each. On the date of its incorporation, our Company allotted and issued one share at par to the initial subscriber Vistra (Cayman) Limited, an Independent Third Party, which was subsequently transferred to WeiGang Technology on 18 May 2017. On the same day, 5,249 Shares were further allotted and issued at par to WeiGang Technology.

WeiGang Environment was incorporated in the BVI as a limited liability company on 11 May 2017 and has been a member of our Group since 8 June 2017 when WeiGang Environment allotted and issued at par one share, representing its entire issued share capital, to our Company.

Weigang Green was incorporated in the BVI as a limited liability company on 8 June 2017 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of its incorporation, Weigang Green allotted and issued at par one share, representing its then entire issued share capital, to Mr. Cai. Since its incorporation, Weigang Green has been wholly owned by Mr. Cai.

(2) Acquisition of the entire issued share capital of WeiGang Technology by Weigang Green

On 7 July 2017, Weigang Holdings (BVI) transferred one share in WeiGang Technology, representing its then entire issued share capital, to Weigang Green in consideration of the allotment and issue of one share in Weigang Green by Weigang Green, credited as fully paid, to Mr. Cai. Following the transfer, WeiGang Technology became the directly wholly owned subsidiary of Weigang Green which is in turn directly wholly owned by Mr. Cai.

(3) Transfer of the entire issued share capital of Jade Road from Mr. Ren to Jade Far and acquisition of the entire issued share capital of Weigang Holdings (Hong Kong) by WeiGang Environment

On 7 July 2017, Mr. Ren transferred the entire issued share capital of Jade Road to Jade Far in consideration of the allotment and issue of 1,000 shares in Jade Far by Jade Far, credited as fully paid, to Jade Fly. Immediately after the completion of the transfer, Jade Road remained wholly owned by Mr. Ren through companies wholly owned by him, namely, Jade Fly and Jade Far.

On 12 July 2017, WeiGang Environment acquired 10,000 shares in Weigang Holdings (Hong Kong), representing its then entire issued share capital, from Weigang Holdings (BVI) at a consideration of HK$10,000. As a result, Weigang Holdings (Hong Kong) became indirectly wholly owned by our Company through one of its wholly owned subsidiaries, namely, WeiGang Environment.

(4) Acquisition of Guangzhou Weigang by Weigang Holdings (Hong Kong)

Weigang Holdings (Hong Kong), an indirectly wholly owned subsidiary of our Company, acquired 70% and 5% equity interest in Guangzhou Weigang from Mr. Cai and Ms. Huang on 5 August 2017 at the considerations of HK$42.25 million and HK$3.02 million, respectively, which were determined with reference to the net asset value of Guangzhou Weigang as at 31 October 2016. Both considerations were fully settled on 12 February 2018. Immediately upon the completion of the acquisition, Guangzhou Weigang was indirectly owned as to 75% by our Company.

(5) Acquisition of the entire issued share capital of Jade Far by our Company

On 8 September 2017, our Company acquired 1,001 shares in Jade Far, representing the then entire issued share capital of Jade Far, from Jade Fly in consideration of the issue and allotment of 1,750 Shares credited as fully paid by our Company to Jade Fly. As the remaining 25% equity interest in Guangzhou Weigang was owned by Jade Road and Jade Road was indirectly wholly owned by Jade Far immediately before and after the acquisition, Guangzhou Weigang became an indirectly wholly owned subsidiary of our Company following the acquisition.

(6) Transfer of 349 Shares by WeiGang Technology to Jade Fly

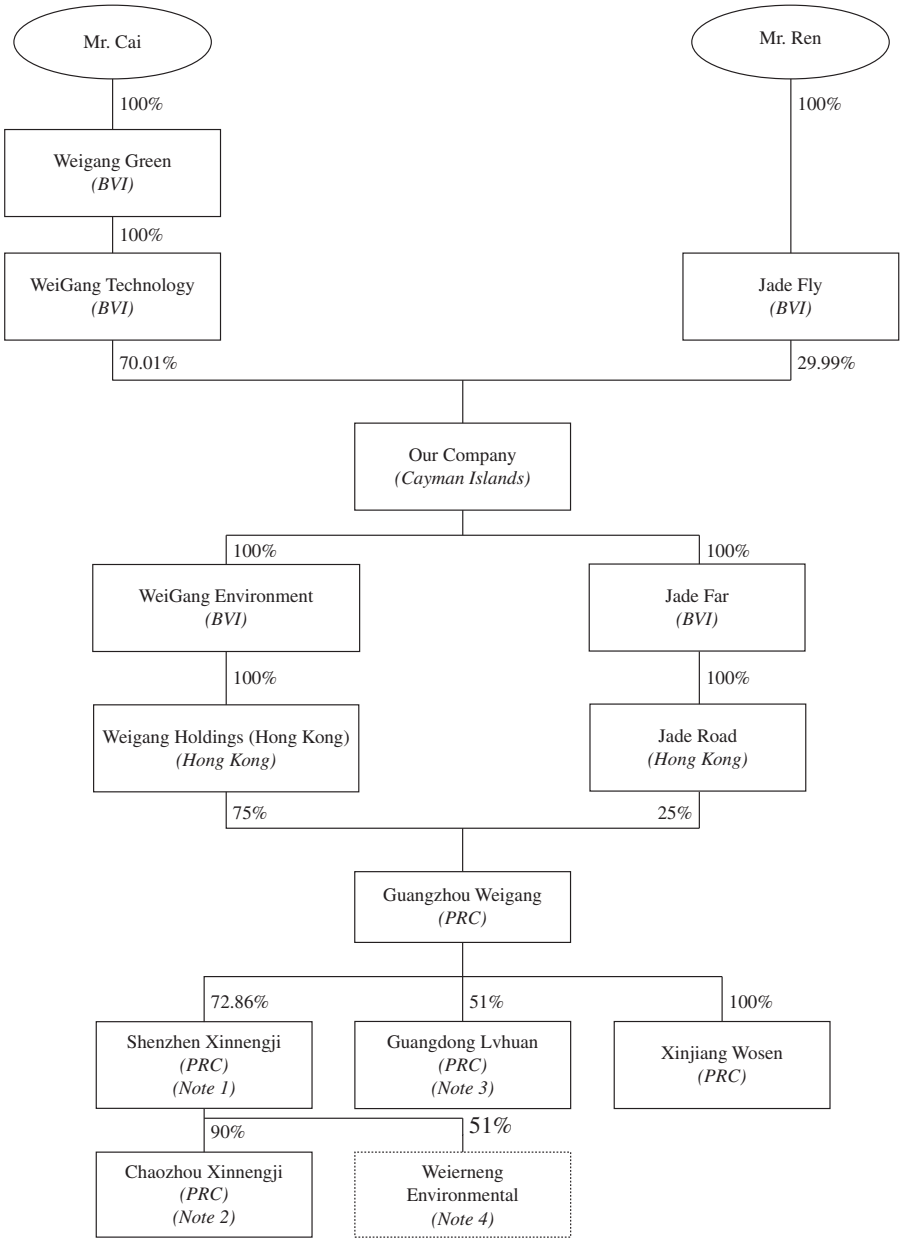
On 11 September 2017, pursuant to the MOU, WeiGang Technology (being a company wholly owned by Mr. Cai) transferred 349 Shares, representing 4.99% of the total number of the Shares in issue at the time of the transfer, to Jade Fly at a consideration RMB2,584,820.00, which was determined with reference to the net asset value of Guangzhou Weigang as at 31 October 2016. The consideration was fully settled on 1 December 2017. The sale proceeds were put to personal use by Mr. Cai. Immediately after the completion of the transfer, our Company was ultimately owned as to approximately 70.01% by Mr. Cai and approximately 29.99% by Mr. Ren, respectively.

(7) Loan Capitalisation Issue and Share Consolidation

As at 26 January 2018, two of our subsidiaries, namely, Weigang Holdings (Hong Kong) and Jade Road, were indebted to Mr. Cai and Mr. Ren for aggregate sums of HK$45,270,000 and HK$13,728,700, respectively. Through loan assignment and novation completed on the same day, our Company became indebted to WeiGang Technology and Jade Fly for HK$41,307,518 and HK$17,691,182, respectively. Immediately thereafter, such loans were capitalised by allotting and issuing 3,500,495,099 and 1,499,497,901 Shares with a par value of HK$0.01 each to WeiGang Technology and Jade Fly, respectively (the "**Loan Capitalisation Issue**"). The authorised share capital of our Company has been increased to HK$200,000,000 divided into 20,000,000,000 Shares of a par value of HK$0.01 each on 26 January 2018 in order to implement the issue and allotment of Shares pursuant to the Loan Capitalisation Issue. Following the Loan Capitalisation Issue, WeiGang Technology held 3,500,500,000 Shares with a par value of HK$0.01 each and Jade Fly held 1,499,500,000 Shares with a par value of HK$0.01 each. There was no change in the respective shareholding percentages of WeiGang Technology and Jade Fly in our Company immediately before and after the Loan Capitalisation Issue.

On 26 January 2018, after the Loan Capitalisation Issue, the then Shareholders resolved to consolidate every five Shares of a par value of HK$0.01 each in the authorised (whether issued or unissued) share capital of the Company into one Share of a par value of HK$0.05 each (the "**Share Consolidation**"). Immediately after the Share Consolidation, (i) WeiGang Technology held 700,100,000 Shares with a par value of HK$0.05 each; (ii) Jade Fly held 299,900,000 Shares with a par value of HK$0.05 each; and (iii) the number of authorised Shares had been changed from 20,000,000,000 Shares of a par value of HK$0.01 each to 4,000,000,000 Shares of a par value of HK$0.05 each with the amount of authorised share capital of our Company remained unchanged. There was no change in the respective shareholding percentages of WeiGang Technology and Jade Fly in our Company immediately before and after the Share Consolidation.

The shareholding structure of our Group immediately after the completion of the above steps and prior to the completion of the [**REDACTED**] Investments (other than Mr. Ren's investment) and investment by Orient Landscape in Guangzhou Weigang is set out below:



Notes:

(1) The remaining 27.14% equity interest in Shenzhen Xinnengji was at that time owned by Mr. Li Yuanjing. As at the Latest Practicable Date, Shenzhen Xinnengji is our indirectly wholly owned subsidiary. For details on Shenzhen Xinnengji's historical shareholding changes, please refer to the paragraph headed "A. Further Information about our Company – 5. Changes in share capital of subsidiaries" in Appendix IV to this document.

(2) The remaining 10% equity interest in Chaozhou Xinnengji is owned by Mr. Guo Xudong who is an Independent Third Party save for his interest in and being a director of Chaozhou Xinnengji. Chaozhou Xinnengji is currently under the process of deregistration. For further details, please refer to the paragraph headed "– Corporate History – Deregistration of Chaozhou Xinnengji" of this section.

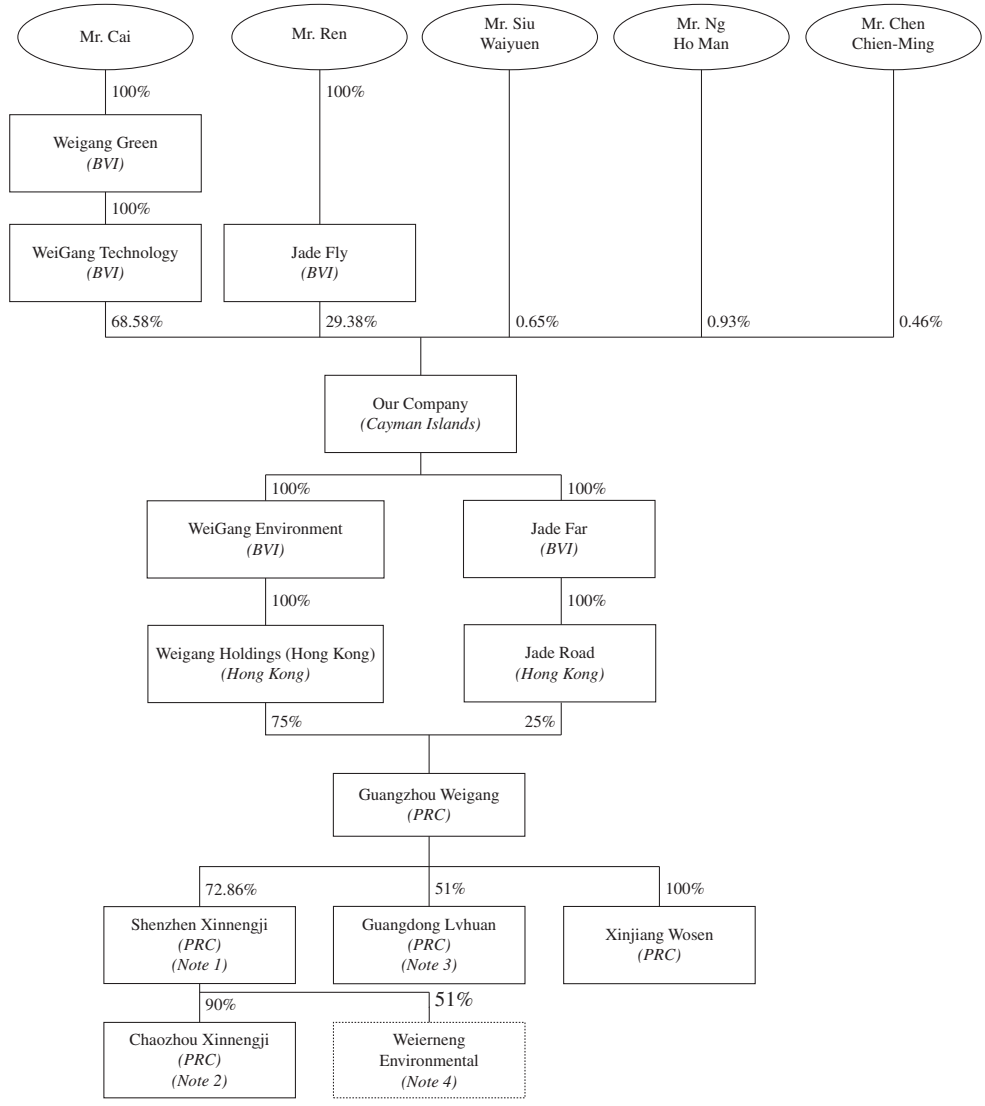
(3) The remaining 49% equity interest in Guangdong Lvhuan is owned by Guangdong Xingyue which is an Independent Third Party save for its interest in Guangdong Lvhuan.

(4) Weierneng Environmental was established on 25 July 2018. Immediately upon its establishment, the equity interest in Weierneng Environmental was owned as to 51% by Shenzhen Xinnengji. The remaining 49% equity interest in Weierneng Environmental is owned by Shandong Kangrong which is an Independent Third Party save for its interest in Weierneng Environmental.

(8) [**REDACTED**] *Investments (other than Mr. Ren's investment)*

Please refer to the paragraph headed "– [**REDACTED**] Investments" of this section for further details.

The shareholding structure of our Group immediately after the completion of the above steps is set out below:



(1) The remaining 27.14% equity interest in Shenzhen Xinnengji was at that time owned by Mr. Li Yuanjing. As at the Latest Practicable Date, Shenzhen Xinnengji is our indirectly wholly owned subsidiary. For details on Shenzhen Xinnengji's historical shareholding changes, please refer to the paragraph headed "A. Further Information about our Company – 5. Changes in share capital of subsidiaries" in Appendix IV to this document.

(2) The remaining 10% equity interest in Chaozhou Xinnengji is owned by Mr. Guo Xudong who is an Independent Third Party save for his interest in and being a director of Chaozhou Xinnengji. Chaozhou Xinnengji is currently under the process of deregistration. For further details, please refer to the paragraph headed "– Corporate History – Deregistration of Chaozhou Xinnengji" of this section.

(3) The remaining 49% equity interest in Guangdong Lvhuan is owned by Guangdong Xingyue which is an Independent Third Party save for its interest in Guangdong Lvhuan.

(4) Weierneng Environmental was established on 25 July 2018. Immediately upon its establishment, the equity interest in Weierneng Environmental was owned as to 51% by Shenzhen Xinnengji. The remaining 49% equity interest in Weierneng Environmental is owned by Shandong Kangrong which is an Independent Third Party save for its interest in Weierneng Environmental.

(9) Subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape

Guangzhou Weigang, Weigang Holdings (Hong Kong), Jade Road, Jade Fly, WeiGang Technology and Orient Landscape entered into an investment agreement ("**Investment Agreement**") on 4 April 2018, and on the same date, Weigang Holdings (Hong Kong), Jade Road and Orient Landscape entered into two joint venture agreements (together with the Investment Agreement, the "**Orient Investment Documents**"). Pursuant to such agreements, Orient Landscape agreed, among others, to subscribe for the registered capital of RMB40,000,000 in Guangzhou Weigang, representing 10% of the equity interest in Guangzhou Weigang following the subscription, at a consideration of RMB94,444,444 ("**Subscription Price**") determined based on arm's length negotiations and with reference to profitability of Guangzhou Weigang for the year ended 31 December 2017 and the prospects of Guangzhou Weigang. On 11 April 2018, the Subscription Price was fully settled.

Pursuant to the terms of the Orient Investment Documents, the following special rights were granted to Orient Landscape, all of which shall automatically terminate immediately upon the [**REDACTED**], save for the profit compensation right as mentioned below:

Information right	Guangzhou Weigang shall provide Orient Landscape with audited annual reports and unaudited monthly financial statements of Guangzhou Weigang and our Company within 90 days (in the case of annual report), or 21 days (in the case of monthly financial statement), after the end of the relevant reporting period.
Tag-along right	If Weigang Holdings (Hong Kong) and/or Jade Road intend to sell their equity interests in Guangzhou Weigang to any third party, Orient Landscape is entitled to participate in such sale to the third party under the same terms and conditions.
Liquidation right	Orient Landscape shall be entitled to receive not less than an amount equal to 120% of the Subscription Price plus any declared but unpaid dividends in preference to other shareholders of Guangzhou Weigang in the event of any liquidation, dissolution or winding-up of Guangzhou Weigang.

Put option	If the [**REDACTED**] does not take place on or before 3 April 2020, Orient Landscape is entitled to require Weigang Holdings (Hong Kong) and Jade Road to purchase all of the equity interest in Guangzhou Weigang held by Orient Landscape at a price equal to the sum of (i) the Subscription Price plus a interest calculated at a compound rate of 8% per annum; and (ii) any declared but unpaid dividends of Guangzhou Weigang.
Director nomination right	Orient Landscape is entitled, within 28 days of the Investment Agreement, to nominate a director of Guangzhou Weigang as deputy chairman of the board of directors of Guangzhou Weigang for a term of three years (the "**Initial Term**"), or such shorter period ending on the date on which Orient Landscape ceases to be a shareholder of Guangzhou Weigang. After the Initial Term, WeiGang Technology shall use reasonable endeavours to procure an Orient Landscape's nominee to become a director of Guangzhou Weigang provided at any time, Orient Landscape shall only have one seat on the board of directors of Guangzhou Weigang. As at the Latest Practicable Date, Orient Landscape had nominated one director to the board of directors of Guangzhou Weigang.
Profit compensation right	WeiGang Technology and Jade Fly undertake with Orient Landscape that if the net profit of Guangzhou Weigang for the years ending 31 December 2018 and 2019 in aggregate ("**Profit for 2018 & 2019**") is less than RMB200 million ("**Target Profit**"), Orient Landscape is entitled to either (i) require WeiGang Technology and Jade Fly to transfer such number of Shares calculated in accordance with the following formula at nil consideration:

$$\text{Number of Shares} = \frac{\text{10\% x (Target Profit – Profit for 2018 \& 2019)}}{\text{RMB0.85}},$$

or (ii) require WeiGang Technology and Jade Fly to pay a sum calculated in accordance with the following formula:

Sum = 10% x (Target Profit – Profit for 2018 & 2019).

Subject to compliance with any applicable Listing Rules and undertakings restricting Share transfer which may be given to the Stock Exchange and any [**REDACTED**], the above compensation shall be completed within 30 days (i) upon the expiry of six months from the [**REDACTED**]; or (ii) the date of issue of the audited annual report of Guangzhou Weigang for the year of 2019, whichever is later.

The parties to the Orient Investment Documents agreed that if any provision of the Orient Investment Documents (i) violates the Listing Rules, applicable guidance letters or requirements of the Stock Exchange; and/or (ii) prejudices the [**REDACTED**] process as certified by the Sole Sponsor, such provision shall automatically terminate.

No special rights which would survive after the [**REDACTED**] were granted to Orient Landscape in connection with its subscription of 10% equity interest in Guangzhou Weigang, save for the profit compensation right which is to be settled by WeiGang Technology and Jade Fly and is not linked to the market price or capitalisation of the Shares.

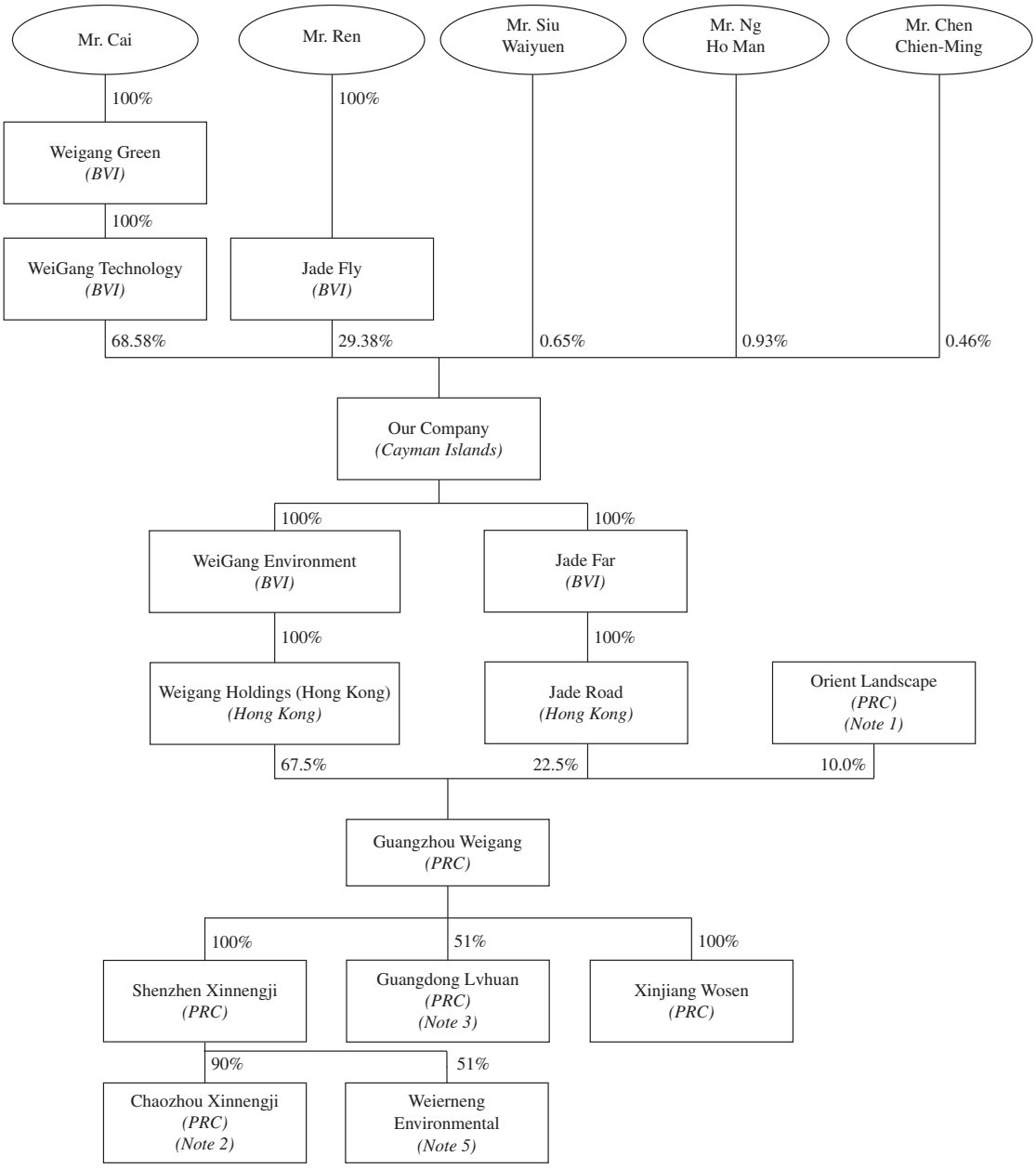
On 4 April 2018, the registered capital of Guangzhou Weigang increased from RMB10,000,000 to RMB400,000,000, which was owned as to 67.5%, 22.5% and 10% by Weigang Holdings (Hong Kong), Jade Road and Orient Landscape, respectively.

The net proceeds from the subscription are expected to be used towards the general working capital of Guangzhou Weigang. As at the Latest Practicable Date, all of the net proceeds had been utilised towards the general working capital of Guangzhou Weigang.

Orient Landscape is a directly wholly owned subsidiary of Beijing Orient Landscape which, to the best of the knowledge, information and belief of our Directors, is principally engaged in waste water treatment, hazardous waste treatment and tourism. Our Directors consider that (i) Orient Landscape would bring strategic benefits to us by providing business and cooperation opportunities in the environmental protection field and giving strategic advice to us leveraging the experience of Orient Landscape and Beijing Orient Landscape in the environmental protection industry; and (ii) we would also benefit from the additional funding brought by Orient Landscape's investment. Orient Landscape and its ultimate beneficial owners are Independent Third Parties and have no relationship with our Group or any connected person (as defined under the Listing Rules) of our Company, save for Orient Landscape's interest in Guangzhou Weigang and Beijing Orient Landscape's interest in the cooperation agreement entered into between Beijing Orient Landscape and us in 2016 as described in the subsection headed "Business – Sales and Customers – Customer Diversification – Strategic Cooperation with Industry Players" .

Shareholding Structure Immediately after the Reorganisation and Prior to the [**REDACTED**]

The shareholding structure of our Group after the Reorganisation and immediately prior to the [**REDACTED**] is set out below:



Notes:

(1) The remaining 10% equity interest in Guangzhou Weigang is owned by Orient Landscape, an Independent Third Party save for its interest in Guangzhou Weigang. Please refer to the paragraph headed "– Reorganisation – (9) Subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape" in this section for further details on the investment by Orient Landscape in Guangzhou Weigang.

(2) The remaining 10% equity interest in Chaozhou Xinnengji is owned by Mr. Guo Xudong who is an Independent Third Party save for his interest in and being a director of Chaozhou Xinnengji. Chaozhou Xinnengji is currently under the process of deregistration. For further details, please refer to the paragraph headed "– Corporate History – Deregistration of Chaozhou Xinnengji" of this section.

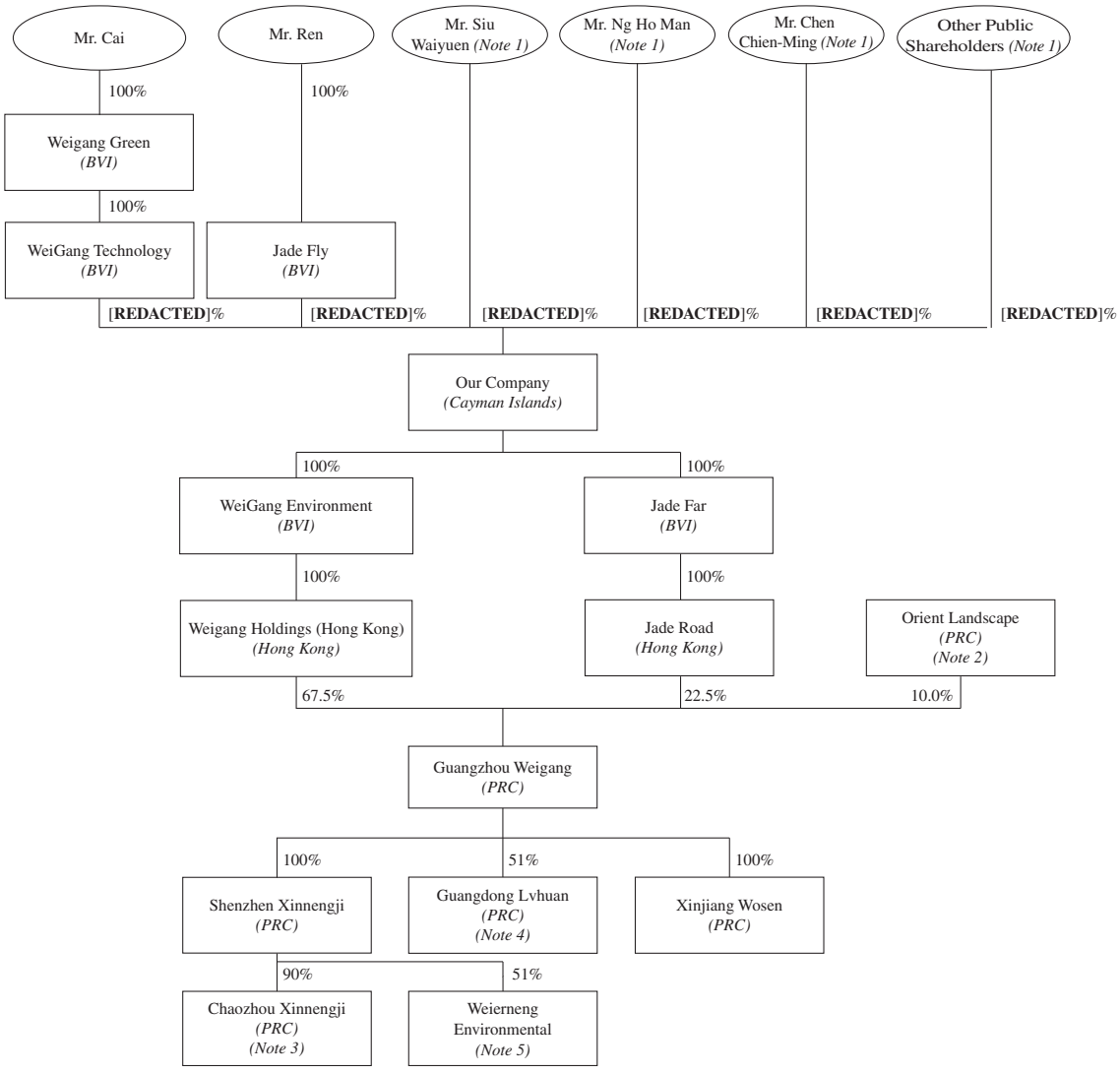
(3) The remaining 49% equity interest in Guangdong Lvhuan is owned by Guangdong Xingyue which is an Independent Third Party save for its interest in Guangdong Lvhuan.

(4) Weierneng Environmental was established on 25 July 2018. Immediately upon its establishment, the equity interest in Weierneng Environmental was owned as to 51% by Shenzhen Xinnengji. The remaining 49% equity interest in Weierneng Environmental is owned by Shandong Kangrong which is an Independent Third Party save for its interest in Weierneng Environmental.

As advised by our PRC Legal Advisers, each step involved in the Reorganisation insofar as PRC law is concerned was properly and legally completed and settled, and was in compliance with relevant PRC laws and regulations, having obtained all necessary regulatory approvals.

Shareholding Structure Immediately Following the Completion of the [REDACTED]

The shareholding structure of our Group immediately after completion of the [**REDACTED**] (without taking into account our Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and the options which were granted under the [**REDACTED**] Share Option Scheme) is set out below:



Notes:

(1) It is expected that upon completion of the [**REDACTED**] [**REDACTED**]% of the total number of issued Shares will be held by the public (within the meaning of the Listing Rules), given that the Shares held by Mr. Siu Waiyuen, Mr. Ng Ho Man and Mr. Chen Chien-Ming upon the completion of the [**REDACTED**] will count towards part of the [**REDACTED**]. For further details on the public float, please refer to the paragraph headed "– [**REDACTED**] Investments – Public Float" of this section.

(2) The remaining 10% equity interest in Guangzhou Weigang is owned by Orient Landscape, an Independent Third Party save for its interest in Guangzhou Weigang. Please refer to the paragraph headed "– Reorganisation – (9) Subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape" of this section for further details on the investment by Orient Landscape in Guangzhou Weigang.

(3) The remaining 10% equity interest in Chaozhou Xinnengji is owned by Mr. Guo Xudong who is an Independent Third Party save for his interest in and being a director of Chaozhou Xinnengji. Chaozhou Xinnengji is currently under the process of deregistration. For further details, please refer to the paragraph headed "– Corporate History – Deregistration of Chaozhou Xinnengji" of this section.

(4) The remaining 49% equity interest in Guangdong Lvhuan is owned by Guangdong Xingyue which is an Independent Third Party save for its interest in Guangdong Lvhuan.

(5) The remaining 49% equity interest in Weierneng Environmental is owned by Shandong Kangrong which is an Independent Third Party save for its interest in Weierneng Environmental.

[**REDACTED**] SHARE OPTION SCHEME

In recognition of the contributions of certain employees and executive officers of our Group towards our growth, we have implemented the [**REDACTED**] Share Option Scheme and 35 participants have been granted options under our [**REDACTED**] Share Option Scheme. For further details, please refer to the subsection headed "Statutory and General Information – D. [**REDACTED**] Share Option Scheme" in Appendix IV to this document.

M&A RULES

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Regulation on the Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which became effective on 8 September 2006 and was revised on 22 June 2009. Pursuant to Article 11 of the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully has established or controls, such takeover shall be subject to the examination and approval of the MOFCOM. Where a foreign investor purchases the equity interest of a domestic foreign-invested enterprise or subscribes for the increased capital of a domestic foreign-invested enterprise, it shall be subject to the current laws, administrative regulations on foreign-invested enterprises and the relevant provisions on alteration in investors' equity interest of foreign-invested enterprise.

As advised by our PRC Legal Advisers, (i) the acquisition of 25% equity interest held by Ms. Huang in Guangzhou Weigang by Jade Road mentioned in the paragraph headed "– Corporate History – Shareholding Changes Guangzhou Weigang" of this section above was legally completed and in compliance with the M&A Rules and Guangzhou Weigang has been classified as a foreign invested enterprise by competent PRC government authority(ies) since completion of the acquisition and (ii) as Guangzhou Weigang has been classified as a foreign invested enterprise, the M&A Rules are not applicable to any of the steps involved in the Reorganisation and hence, approval from the MOFCOM is not required for the [**REDACTED**].

CIRCULARS NO. 37 AND NO. 13

On 4 July 2014, SAFE promulgated the Circular on Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular No. 37**"). Pursuant to the Circular No. 37, a PRC resident must register with the competent local SAFE branch before he/she contributes assets or equity interests to an overseas special purpose vehicle (the "**SPV**") that is directly established or indirectly controlled by him or her for the purpose of investment or financing. Pursuant to the circular of SAFE on Further Simplifying and Improving Foreign Exchange Administration on Direct Investments (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular No. 13**"), promulgated by SAFE with effect from 1 June 2015, SAFE has authorised the qualified local banks to review and process the various foreign exchange registrations directly for overseas investments, including the registration under the Circular No. 37, and SAFE and its local branches conduct indirect supervision and administration through the banks over such registrations.

Pursuant to Circular No. 37 and Circular No. 13, a domestic resident who makes capital contribution to a SPV using his or her legitimate domestic or offshore assets or interests shall apply for foreign exchange registration to banks in the place where the assets or interests of such domestic enterprise are located or to banks in the place where his or her permanent residence is registered (the "**Circular 37 Registration**"). SPVs mean offshore enterprises directly established or indirectly controlled by domestic residents for the purpose of investment and financing by utilising the domestic or offshore assets or interests they legally hold. For details on Circular No. 37 and Circular No. 13, please refer to the subsection headed "Regulations – Laws and Regulations on Foreign Exchange – Circular No. 37 and Circular No. 13".

Mr. Cai is a PRC resident and therefore is subject to the requirements under Circular No. 37 and Circular No. 13. As advised by the PRC legal advisers, (i) Mr. Cai (in respect of Weigang Green) has completed the Circular 37 Registration on 29 June 2017 in accordance with the then effective and relevant SAFE regulations and (ii) Mr. Ren is not a PRC resident (within the meaning of Circular No. 37), and he is not subject to the registration requirements under the Circular No. 37.

OVERVIEW

We are a leading comprehensive hazardous waste incineration turnkey solution provider in China focused on the research, design, integration and commissioning of solid waste treatment systems, particularly for hazardous waste incineration. According to Frost & Sullivan, we were the largest solution provider in China in 2017 with a market share of 19.8% in terms of revenue from centralised hazardous waste incineration solutions. As at 31 December 2017, we ranked first among solution providers in China in terms of aggregate designed disposal capacity of centralised hazardous waste incineration projects under construction(1) with a market share of 37.3%, according to Frost & Sullivan. As a pioneer in hazardous waste incineration industry in China, we successfully delivered our first hazardous waste incineration solution in 2008 for the design and commissioning of a rotary kiln incineration system at the Guangdong Hazardous Waste Comprehensive Treatment Demonstration Centre ("**Guangdong HWCTDC**") (廣東省危險廢物綜合處理示範中心), which, according to Frost & Sullivan, was the first comprehensive hazardous waste treatment facility approved and accepted for operation by the MEE in China, signifying our more than ten years of industry leading experience and expertise.

During the Track Record Period, we primarily engaged in and generated a substantial portion of our revenue from the design, integration and commissioning of hazardous waste incineration systems in China. Leveraging our experience and expertise in hazardous waste incineration, we have also expanded our offerings to provide solid waste treatment solutions including thermal desorption of oil sludge, treatment of solid waste utilising the pyrolysis technology and cement plant parallel kiln co-treatment.

During the Track Record Period, we undertook 24 hazardous waste incineration projects covering 24 cities in China with an aggregate designed disposal capacity of approximately 566,000 tonnes per annum, one oil sludge thermal desorption project in Karamay with an aggregate designed treatment capacity of approximately 300,000 tonnes per annum and one pyrolysis project in Jiangmen with an aggregate designed treatment capacity of approximately 3,600 tonnes per annum. Five of these projects were completed during the Track Record Period and 21 were outstanding as at 30 June 2018.

We experienced continual business growth during the Track Record Period in terms of revenue and net profit. Revenue increased from RMB74.9 million in 2015 to RMB89.0 million in 2016 and further to RMB189.4 million in 2017, representing a CAGR of 59.0% from 2015 to 2017. Net profit for the year increased from RMB15.6 million in 2015 to RMB19.5 million in 2016 and further to RMB29.8 million in 2017, representing a CAGR of 38.1% from 2015 to 2017. We further recorded a revenue of RMB183.1 million and net profit of RMB22.6 million for the first half of 2018.

(1) Such projects under construction refer to centralised hazardous waste incineration projects under construction each with an annual designed disposal capacity of no less than 10,000 tonnes, excluding cement plant co-treatment projects.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to enable us to compete effectively and to capitalise future growth opportunities:

We are a leading comprehensive hazardous waste incineration turnkey solution provider in China with extensive project experience and well positioned to benefit from the significant industry growth

We are a leading comprehensive hazardous waste incineration turnkey solution provider in China focused on the research, design, integration and commissioning of solid waste treatment systems, particularly for hazardous waste incineration. According to Frost & Sullivan, we were the largest solution provider in China in 2017 with a market share of 19.8% in terms of revenue from providing solutions for centralised hazardous waste incineration. As at 31 December 2017, we ranked first among solution providers in China in terms of aggregate designed disposal capacity of centralised hazardous waste incineration projects under construction[(2)] with a market share of 37.3%, according to Frost & Sullivan.

We have accumulated more than ten years of extensive experience in providing comprehensive hazardous waste incineration solutions in China. During the Track Record Period, we had a total of 24 hazardous waste incineration projects covering 24 cities in China with an aggregate designed disposal capacity of approximately 566,000 tonnes per annum. Five of these projects were completed during the Track Record Period and 19 were outstanding as at 30 June 2018 with contract value to be delivered amounting to approximately RMB570.2 million in aggregate. As a pioneer in providing comprehensive hazardous waste incineration solutions in China, we successfully delivered our first hazardous waste incineration project in 2008 for Guangdong HWCTDC with a designed disposal capacity of 10,000 tonnes per annum. Guangdong HWCTDC was the first comprehensive hazardous waste treatment facility approved and accepted for operation by the MEE in China, according to Frost & Sullivan, and the hazardous waste incineration system commissioned by us for Guangdong HWCTDC has been successfully operating for more than ten years treating hazardous waste from a wide range of industries in Guangdong province. Over the years, we have also provided solutions to other benchmark hazardous waste incineration facilities in China, including the Shenzhen Hazardous Waste Incineration Centre and the Industrial Solid Waste Treatment Centre of Jiangxi Province. We have been accredited with industry awards in recognition of our technical expertise, project experience and customised high-quality services provided to customers. For example, hazardous waste incineration systems designed by us were awarded as the Guangdong Province High and New Technology Products (廣東省高新技術產品) in 2016 and we were recognised as one of the Guangzhou Science and Technology Innovation Enterprises (廣州市科技創新小巨人企業) in 2015. We believe our industry experience and recognitions obtained have helped strengthen our industry reputation and will enhance our ability to obtain more high-profile projects in the future.

(2) Such projects under construction refer to centralised hazardous waste incineration projects under construction each with an annual designed disposal capacity of no less than 10,000 tonnes, excluding cement plant co-treatment projects.

The hazardous waste treatment industry presents significant growth potential in China with strong demand for comprehensive hazardous waste treatment facilities. According to Frost & Sullivan, the hazardous waste output volume in China increased from 31.6 million tonnes in 2013 to 69.4 million tonnes in 2017 at a CAGR of 21.8%, and is expected to further increase to 133.1 tonnes in 2022 at a CAGR of 13.6% from 2018 to 2022. According to Frost & Sullivan, the market potential of hazardous waste treatment in China could be even higher as the actual output volume of hazardous waste in China is believed to be much higher than those publicised by official statistics. With increasingly stringent environmental compliance requirements and industry standards imposed by the PRC government, such as the amended Environmental Protection Law of the PRC effective since 2015 and the National Catalogue of Hazardous Waste updated in 2016, the hazardous waste treatment industry in China is expected to experience significant growth, which will fuel the growth and competitiveness of hazardous waste treatment solution providers such as us which possess rich project experience, well-established industry reputation and continuous development capabilities. Leveraging our technical expertise, industry leading position and proven track record for the integrated and comprehensive treatment of hazardous waste, we believe that we will continue to benefit from and capitalise on the strong growth opportunities in our industry.

We possess advanced solid waste treatment technologies and strong research and development capabilities

We believe that our advanced technologies and strong research and development capabilities are core competitiveness to our leading industry position in the PRC. According to Frost & Sullivan, the operating parameters of the hazardous waste incineration projects commissioned by us are higher than the industry standards in China in terms of emission compliance. For instance, the emission of dioxins, being one of the key indicators for hazardous waste disposal efficacy, from our Shenzhen Hazardous Waste Incineration Centre project was calibrated at approximately 0.05 TEQng/m^3, which is one tenth of the national standard for hazardous waste incineration in China.

Maintaining technological competitiveness has always been one of our top priorities. We believe our research and development endeavours are closely in line with the changing demand of the solid waste treatment market in China in response to (i) changes to the solid waste generated in terms of volume, composition, characteristics, complexity and difficulties for treatment, (ii) tightening of regulatory compliance requirements, (iii) customer preferences and evolving needs, and (iv) technological advancement and innovation. Accordingly, in addition to the upgrading of our rotary kiln incineration technologies, we are also in the process of developing and commercialising a number of solid waste treatment technologies and solutions, which include: (i) thermal desorption of oil sludge, (ii) various applications of pyrolysis treatment of solid waste with respect to highly cohesive organic solid waste (such as paint residues), municipal solid waste, new energy batteries and waste paper residues, and (iii) cement plant parallel kiln co-treatment solutions. For details, see "– Solid Waste Treatment Solutions" and "– Research and Development".

Our technical personnel conducting research and development activities possess the professional expertise and extensive experience in the solid waste treatment industry and environmental protection in China, focused on continuously improving our technologies and solutions quality and maintaining our market position in technological development. As at the Latest Practicable Date, we had a total of 66 technical personnel conducting research and development activities with an average of approximately ten years of industry experience, accounting for 33.0% of our total employees. Our research and development effort of solid waste treatment, in particular the pyrolysis technology, is led by our chief scientist, Dr. Wang Zhicheng, who has years of experience in environmental science research in the United States. As at the Latest Practicable Date, we had registered 23 patents and had 24 pending registration in the PRC primarily relating to hazardous waste incineration technologies and we also owned three registered software copyrights in the PRC mainly relating to the monitor and control of hazardous waste incineration systems. Our key operating subsidiary Guangzhou Weigang was recognised as a "High and New Technology Enterprise" in 2016 and was entitled to preferential income tax rate of 15% for each of 2016, 2017 and 2018. We believe our advanced technologies and strong research and development capabilities will enable us to continue to maintain our market leadership and capture new market opportunities.

We provide self-designed, end-to-end, high-quality and customised hazardous waste incineration turnkey solutions

As a leading hazardous waste incineration turnkey solution provider in China, we provide our customers with high-quality and customised hazardous waste incineration turnkey solutions that include the design, installation, integration and commission of the hazardous waste incineration systems which is a highly intricate and integrated process. To provide tailor-made solutions to our customers, we analyse waste composition and formulate equipment configuration and system layout based on customer specifications. We aim to achieve optimised treatment effect of our solutions with stable operating performance, compliant emission of pollutants and controlled operating cost. During the Track Record Period, our services mainly included design of hazardous waste incineration solutions and the integration and commissioning of such incineration systems. We place great emphasis on service quality. In recognition of our quality assurance and related internal control, we have obtained the ISO9001, ISO14001 and OHSAS18001 accreditations for our quality, environmental, and occupational health and safety management, respectively.

We provide hazardous waste incineration solutions tailored to our customers' requirements underlined by the following advantages:

- ***Strong adaptability for treatment of a wide range of hazardous waste***. Our solutions can effectively process and treat a wide range of hazardous waste in solid, liquid and gas forms which may exhibit one or more of the hazardous characteristics as being corrosive, infective or toxic. Our solutions are capable of treating hazardous waste from chemical, refined petroleum production, paper-making and other industries such as chemical waste, pharmaceutical waste, pesticide waste, organic solvent waste and organic resins waste.

- ***Low pollutants emission***. Our hazardous waste incineration solutions are able to achieve consistently high performance well above the requirements under industry standards in the purification and removal of pollutants during the incineration process. For instance, the emission of dioxins, being one of the key indicators for hazardous waste disposal efficacy, from our Shenzhen Hazardous Waste Incineration Centre project was calibrated at approximately 0.05 TEQng/m^3, which is one tenth of the national standard for hazardous waste incineration in China. Similarly, the 24-hour omission level of NOx for our hazardous waste incineration project in Zhuhai was calibrated at below one tenth of the national standard level.

- ***Flexible and seamless system integration***. System integration is critical to the effectiveness of the whole incineration process and we have demonstrated a high degree of expertise in the solution design, configuration and optimisation of all the processing units and components in the system based on pre-conditions and customer specifications. Our integrated system can achieve an ideal heat and mass balance throughout the process flow for stable and consistent performance. Our integrated solutions also enable adjustment to the system components to cope with changes in waste feeding, fuel supply and emission standards, which deliver optimised results to our customers.

- ***Effective and stable operation with extended useful life***. The average operating cycle of our completed hazardous waste incineration projects is generally more than 300 days in a year. In particular, our first completed project, the Guangdong HWCTDC hazardous waste incineration project, has been steadily operating for a consecutive of more than ten years and was one of the longest and steadily operating comprehensive hazardous waste incineration projects in China, according to Frost & Sullivan. The stable operation of our projects would help ensure a better utilisation of the designed disposal capacity, reduce operating costs and lower the possibility for system damage occurred in system disruptions.

We have established a stable and strong customer base

Through previous cooperation, we have established strong and stable customer relationships with many industry-renowned customers, including subsidiaries and affiliated companies of global environmental service providers such as SUEZ and major centralised hazardous waste treatment facility operators in China, such as Dongjiang Group and Shenzhen Shentou Environmental Technology Co., Ltd. (formerly known as Shenzhen Hazardous Waste Treatment Station Co., Ltd.). According to Frost & Sullivan, during the Track Record Period we had business relationships with five of the ten largest centralised hazardous waste treatment facility operators in China as at 31 December 2017 in terms of annual designed disposal capacity. In particular, according to Frost & Sullivan, we were the only hazardous waste incineration solution provider for Dongjiang Group for its hazardous waste incineration projects under construction as at 30 June 2018. According to Frost & Sullivan, Dongjiang Group was the largest centralised hazardous waste treatment facility operator in China with an aggregate designed disposal capacity of approximately 820,000 tonnes per annum for projects

in operation as at 31 December 2017. As at 30 June 2018, Dongjiang Group had a total of eight hazardous waste incineration projects under construction in China with an aggregate designed disposal capacity of 200,000 tonnes per annum according to Frost & Sullivan, in which we were engaged to provide solutions to all of these projects.

We have accumulated approximately five years on average of business relationships with our five largest customers for the Track Record Period. We believe we have advantages over new entrants in the industry to obtain new engagements from customers because we are able to capitalise on our accumulated industry reputation and stable cooperative relationships with leading industry participants to secure more projects and expand business opportunities in the future.

We have a visionary and experienced senior management team supported by highly skilled employees

We have a seasoned management team with extensive experience in the environmental protection industry, in particular hazardous waste treatment industry. Our chairman and chief executive officer, Mr. Cai, has approximately 20 years of industry experience in solid waste treatment solutions, particularly for hazardous waste incineration. Our senior management team has an average of approximately 15 years of experience in environmental protection industry and/or professional management. Our management team is able to identify potential business opportunities with keen business insights through years of experience in the solid waste treatment market in China. Under their leadership and vision, we have expanded our business significantly since our inception in 2009 to solidify our leading position in hazardous waste incineration and to enhance our industry presence in the solid waste treatment market in China.

In addition, our management team is supported by a solid and professional team comprised of engineers and other technical staff dedicated to the research, design, integration, commissioning and maintenance of solid waste treatment systems who have an average of more than ten years of related industry experience. We believe our experienced engineers and other technical staff are critical for the efficient and effective execution of our projects. Their extensive and comprehensive industry knowledge also plays an important part in maintaining long-term relationships with key customers and securing new contracts. We are dedicated to developing the skills and expertise of our staff by passing on the experience from our senior to junior staff through targeted training and on-site instructions for the continuous development of the technological capabilities and project execution skills of our professional team.

OUR BUSINESS STRATEGIES

We plan to implement the following business strategies with a vision to becoming China's leading environmental technology services and solution provider:

Continue to solidify our leading market position in comprehensive hazardous waste incineration and increase our market share in hazardous waste treatment

As a leading comprehensive hazardous waste incineration turnkey solution provider in China, we intend to continue to enhance the competitiveness of our hazardous waste incineration solutions. We will seek to further strengthen the technical efficacies of our hazardous waste incineration solutions to enhance system stability, lower operating costs and improve system performance.

To increase our market share, we will continue to cultivate customer relationships as well as to explore new customers, such as major hazardous waste treatment facility operators and new entrants of the hazardous waste treatment industry with additional project operational needs, not only in China but also, if opportunities arise, in overseas markets through collaboration with local industry players. We intend to deepen our relationships with industry participants by facilitating more frequent communications and providing more comprehensive value-added services, such as technical support and consultation services. In addition, we intend to help our customers establish centralised monitoring centres to remotely monitor, collect and diagnose the operational data of our hazardous waste incineration systems from our customers, with a view to providing ongoing technical support for the systems we have delivered to address our customers' evolving needs to improve system integration and cost efficiency, and to increase customer loyalty. We also intend to recruit more staff to build our sales and marketing force in order to support our various market expansion endeavours.

In the long run, we intend to explore potential opportunities at the upstream market of the hazardous waste industry to provide environmental technology services and solutions in the areas of hazardous waste discharge control and emission reduction by leveraging our existing technological expertise and execution experience.

Apart from our existing hazardous waste incineration solutions, we also plan to further invest in other areas of hazardous waste treatment as follows:

Oil sludge thermal desorption

According to Frost & Sullivan, due to absence of efficient treatment method, the oil sludge inventory in China reached over 160 million tonnes in 2017 with a low treatment ratio of generally below 20% for annual new output. The development of the oil and petroleum industry in China and the tightening of environmental protection regulations have been stimulating a great market demand for highly efficient and low cost oil sludge treatment facilities with large scale hazardous waste processing capability. Our first thermal desorption project, the Karamay Project, was under trial operation as at the Latest Practicable Date and is expected to commence operation in December 2018.

We expect our total investment in the Karamay Project to be RMB20.0 million which is funded by our internal resources. With the Karamay Project as a demonstration project, we intend to further collaborate with our existing oil service provider customer for the commissioning and operation of similar projects in its other oil sludge sites in Karamay to increase our market share in the local market. Leveraging our project experience from cost-efficient thermal desorption of oil sludge in Karamay, Xinjiang, we also aim to tap into our business and industry resources accumulated and replicate such oil sludge treatment project model targeting an increasing number of oil service providers in China, especially for those serving large-scale oil fields with sufficient oil sludge output in Xinjiang. In the next three to five years, we intend to invest around RMB140.0 million (including RMB105.0 million on fixed assets, RMB21.0 million on labour costs and RMB14.0 million on other operating expenses) for further exploring additional thermal desorption project opportunities with customer(s) such as oil service providers, of which around RMB[**REDACTED**] is expected to be funded by the [**REDACTED**] from the [**REDACTED**] with the remainder expected to be funded by our internal resources, equity or debt financings or a combination of them. For further details, see "– Thermal Desorption of Oil Sludge" and "Future Plans and [**REDACTED**]".

Cement plant parallel kiln co-treatment

Driven by the increasing market demand for co-treatment of hazardous waste utilising the existing cement production process and facilities, we plan to cooperate with a cement producer in the PRC to invest in and operate a cement plant parallel kiln co-treatment project in Guangdong province through the establishment of a joint venture or our own entity as the project company (the "**Co-treatment Cooperation**"). Under such cooperation, we are expected to make capital investment in the project company and the operation of the project is normally expected to mainly include the day-to-day running, monitoring, maintenance of the project facilities, as well as providing technical support to address any system problem or disruption during the operation process.

As at the Latest Practicable Date, we had entered into a letter of intent with the cement producer and we were in the process of negotiating the commercial terms with this cement producer for the Co-treatment Cooperation. We expect to enter into the cooperation agreement in December 2018. Operation of the project under the Co-treatment Cooperation is expected to commence in the first half of 2019. We expect the initial investment in the Co-treatment Cooperation to be approximately RMB40.0 million, all of which will be funded by our internal resources.

In order to explore new project opportunities, we aim to tap into the business needs of our existing customer(s) and reach out to more cement producers in China by leveraging our project experience from the Co-treatment Cooperation and through promoting the advantages of our parallel kiln co-treatment solutions as compared to conventional co-treatment methods. In doing so, we aim to further our Co-treatment Cooperation with this cement producer customer through the commissioning and operation of an increasing number of parallel kiln co-treatment projects to optimise the co-treatment application on the cement producer's

existing production capacity. We also intend to enhance our cooperation by exploring the possibility for such co-treatment facilities to process a wider range of waste, including both hazardous waste and other solid waste. In addition, as certain of our senior management and employees have prior work experience in the cement industry, they are also expected to contribute valuable industry experience and bring business opportunities for us to enlarge customer base in this area.

In selecting cement producers for cooperation, we would generally consider factors such as their respective cement production scale (with designed production capacity of more than 2,000 tonnes per day under the new dry process method), location (preferably the Pearl River Delta region) and existing conditions of the cement production facilities and hazardous waste monitoring and emission systems, as well as their industry reputation, capital strength, general business performance and financial conditions. As at the Latest Practicable Date, we had not identified any other cooperation partner for exploring such business opportunity.

In the next three to five years, we intend to invest around RMB100.0 million (including RMB75.0 million on fixed assets, RMB15.0 million on labour costs and RMB10.0 million on other operating expenses) on additional co-treatment project(s) with cooperation cement producer(s) of which around RMB[**REDACTED**] is expected to be funded by the [**REDACTED**] from the [**REDACTED**] with the remainder to be funded by our internal resources, equity or debt financings or a combination of them. For further details, see "– Our Business Model – Solid Waste Treatment Solutions – Cement plant parallel kiln co-treatment" and "Future Plans and [**REDACTED**]".

Seize more business opportunities from solid waste treatment by commercialising the pyrolysis technology to market

We are committed to further developing and utilising the technological and commercial advantages of our pyrolysis technology to seize more business opportunities from the solid waste treatment market in China.

Treatment of municipal solid waste

According to Frost & Sullivan, China has a large number of cities and townships which each generates municipal solid waste at below 500 tonnes per day and the output volume of municipal solid waste of these cities and townships amounted to 38.3 million tonnes in 2016. According to Frost & Sullivan, the municipal solid waste output volume in these places is expected to increase as their currently under-developed waste collection and transportation systems continue to improve. Meanwhile, the currently prevalent use of landfill method for disposal of municipal solid waste in these places is increasingly straining the limited land resources, making way for alternative treatment and disposal methods which require relatively less land area, initial investment and operating cost as compared to centralised treatment methods. We aim to pursue opportunities from an increasing number of these lower-tier cities and townships in China to tap their generally unmet demand for treatment of both stock and newly-generated municipal solid waste at lower costs through the implementation of movable, moderate-sized and distributed treatment systems adopting the pyrolysis technology.

In this connection, we would continue our collaboration with Guangdong Xingyue, a municipal solid waste disposal operator in China, through the establishment of a joint venture, Guangdong Lvhuan, for the development and commercialisation of pyrolysis treatment systems installed on motor vehicles for the distributed and movable treatment of municipal solid waste (the "**MSW Collaboration**"). We expect Guangdong Lvhuan to enter into the project contract in the first half of 2019 under which it could either sell the pyrolysis treatment system installed on motor vehicles directly to customers or to operate such motor vehicles by charging waste treatment fees. Operation of these vehicles is expected to mainly include management of the vehicles and their processing activities, the running, monitoring, maintenance of and technical support for the pyrolysis treatment systems installed on the vehicles. We expect the initial investment in the MSW Collaboration to be around RMB20.0 million under an operation project model and our share of such investment will be funded by our internal resources.

Moreover, we intend to seek business cooperation opportunities from local government agencies and municipal solid waste operators in the aforementioned lower-tier cities and townships (such as in mid and western part of China) for the application of our pyrolysis technologies for treatment of municipal solid waste. We have participated in technology communications and other activities organised by relevant industry associations and intend to maintain close contact with such industry associations, which may from time to time recommend us to potential customers and municipal solid waste project opportunities. Upon the successful implementation of a project, such industry associations may also play a part to further promote our technologies and project experience among the industry participants.

In the next three to five years, we intend to invest around RMB130.0 million (including RMB97.5 million on fixed assets, RMB19.5 million on labour costs and RMB13.0 million on other operating expenses) for further exploring and developing additional municipal solid waste project(s) of which around RMB[**REDACTED**] is expected to be funded by the [**REDACTED**] from the [**REDACTED**] with the remainder expected to be funded by our internal resources, equity or debt financings or a combination of them. For further details, see "– Our Business Model – Solid Waste Treatment Solutions – Pyrolysis", "– Research and Development" and "Future Plans and [**REDACTED**]".

Other solid waste treatment applications

We would also continue our efforts to develop and commercialise solutions for a number of other solid waste treatment applications by exploring the commercial needs of various industrial participants to diversify our solution offerings with elevated treatment standards and reduced costs, including for the treatment of highly cohesive organic solid waste, waste new energy batteries and waste paper residues.

We intend to make visits and organise presentations to potential customers to understand their specific technical and operational needs. We would also use our existing projects, research and development results and the technical specifications to demonstrate the advantages of our technologies and how our technologies and project experience would suit customers' evolving needs for different types of solid waste treatment solutions. Specifically, we intend to cooperate with new energy battery, new energy electric vehicle manufacturers or related recycling service providers in China for providing pyrolysis solutions for treatment of waste new energy batteries. Operation of such projects will mainly include the day-to-day running, monitoring, maintenance of and technical support for the project facilities.

In the next three to five years, we expect to invest in this field around RMB150.0 million (including RMB112.5 million on fixed assets, RMB22.5 million on labour costs and RMB15.0 million on other operating expenses) of which around RMB[**REDACTED**] is expected to be funded by the [**REDACTED**] from the [**REDACTED**] with the remainder expected to be funded by our internal resources, equity or debt financings or a combination of them.

Separately, we also aim to enlarge our customer base in the field of pyrolysis treatment of waste paper residues targeting paper manufacturers and waste paper recycling service providers mainly in paper-manufacturing concentrated regions, such as Shandong, Jiangsu and Guangdong provinces, by leveraging our industry reputation among industry associations and suppliers of these potential customers. As at the Latest Practicable Date, we had entered into a service contract with a paper manufacturer in Shandong province for the commissioning and operation of waste paper residues pyrolysis project. We also intend to utilise our experience from such project as demonstration to illustrate the commercial viability of our technologies when reaching out to potential customers in this area.

In the next three to five years, we intend to invest around RMB115.0 million (including RMB92.0 million on fixed assets, RMB11.5 million on labour costs and RMB11.5 million on other operating expenses) for the design, commissioning and operation of waste paper residues treatment projects adopting pyrolysis technology. Operation of these projects is expected to mainly include the day-to-day running, monitoring, maintenance of and technical support for the project facilities. Around RMB[**REDACTED**] of this RMB115.0 million is expected to be funded by the [**REDACTED**] from the [**REDACTED**] with the remainder to be funded by our internal resources, equity or debt financings or a combination of them. For further details, see "– Our Business Model – Solid Waste Treatment Solutions – Pyrolysis", "– Research and Development" and "Future Plans and [**REDACTED**]".

Further enhance our competitiveness and risk management with the adoption of more project models

We have been generally engaged in the provision of hazardous waste treatment solutions to customers and did not operate any such hazardous waste treatment facilities during the Track Record Period. To broaden our offerings, increase our source of revenue and seize further business opportunities, we are participating in solid waste treatment projects by exploring different project models. For instance, we had entered into a service contract with an oil service provider in China which has the relevant operating licence, to lease and provide operation and maintenance services for, an oil sludge treatment facility designed and commissioned by us in Karamay, Xinjiang. For details, see "– Thermal Desorption of Oil Sludge". In the future, we may also consider investing in and/or operating our own solid waste treatment projects as primary or joint project owner. We believe these diversified project models would help us enrich our project operation and management experiences, allow us access to first-hand operational data to further improve our solutions and bring us more business opportunities to achieve a better synergy of technological advantages and capital resources.

Establish and utilise our research and engineering centre to enhance service standards

We believe that our strong commitment to research and development forms an important part of our strategy to strengthen our market position in China. During the Track Record Period, our research and development of hazardous waste incineration solutions were mainly conducted on-site at the treatment facilities of our customers since we need to be close to the

source of hazardous waste and it facilitates our mature and efficient translation of technology into the solution design without having to spend large amount of time for in-house studies and experiments. In recent years, we embarked on the development of various solid waste treatment technologies other than hazardous waste incineration, many of which are at a relatively early development stage and face uncertainties with respect to experiment process and prototyping outcomes.

We are therefore increasingly in need of establishing our own research and engineering centre apart from customers' project sites where we can have sufficient space and resources to conduct targeted and application oriented researches in anticipation of technological advancement and increasingly stringent environmental standards in our industries, either by our own team or in collaboration with experts from industry-renowned universities and institutions in China. Such future research and development projects are expected to include (i) crystallisation of bottom ash after incineration of hazardous waste to reduce landfill cost, (ii) flow-back rotary kiln incineration to enhance incineration efficiency, (iii) pyrolysis pre-treatment of waste printed circuit board, and (iv) detaching of organic components from chemical waste residues through pyrolysis pre-treatment.

Equally important, we plan to carry out at the research and engineering centre, through in-house pilot systems, prototyping, integration and testing of system components, aiming to enhance the feasibility and adaptability of our technology and help us identify any preliminary problems in our technologies and solutions in a more timely and effective manner. Such activities would require purchase and storage of research and engineering related equipment and materials, installation of pilot-run and testing systems and facilities, as well as conduction of experiment and analysis on the solid waste and waste residues. As our technologies have the potential to be applied to the treatment of various types of solid waste, we may also, from time to time, conduct reformation work on the pilot-run and testing systems and facilities to fit different project needs and business scenarios. In view of the above, we plan to establish the research and engineering centre in Guangdong province preferably through the purchase of land use rights in order to have our own facility with greater flexibilities and control.

If we operate our research and engineering centre under a lease, we may be subject to re-location risk if the lease is not renewed or otherwise terminated and our business operations would be disrupted as a result. We may also have to make additional investment on fixed assets in setting-up a new research and engineering centre elsewhere. Moreover, we have also conducted a cost and benefit analysis on the expected capital expenditure for purchase of the land use right (including construction and reformation of office buildings and relevant facilities) as compared to the rental expenses expected to be incurred under a lease arrangement. Assuming we either purchase a land use right or have a lease period of fifty years and market rentals of comparable properties based on available market research information, the estimated annual depreciation and amortisation expenses relating to the purchase of land use right will be around RMB2.1 million and the annual rental expenses under the lease will be around RMB7.2 million. As such, purchasing a land use right would in turn save us around RMB5.1 million annually. In view of the above, we consider it more cost beneficial to establish the research and engineering centre through purchase of land use right than leasing and it is also beneficial for our long-term and stable business development.

In selecting such premises, we would consider factors such as the availability and cost of such properties, the length of the land use, the flexibility for us to conform our systems and facilities with the site, as well as any related operating costs involved in occupying such properties. As at the Latest Practicable Date, we were in the process of seeking possible sites for the research and engineering centre and we expect to complete the purchase of the land use rights in the second half of 2019. We expect our total capital expenditure for the research and engineering centre to be around RMB115.0 million for the next three years, which includes the cost for purchase of properties of around RMB30.0 million, the construction and reformation of office buildings and testing facilities of around RMB75.0 million, and the purchase of research and development equipment and materials of around RMB10.0 million. Part of such capital expenditure will be funded by the [**REDACTED**] from the [**REDACTED**] with the remainder to be funded by our internal resources, equity or debt financings or a combination of them. In the event we could not identify a suitable site for the purchase, we would lease it from other parties and the expected total capital expenditure would be adjusted accordingly. In addition, we also intend to use our internal resources to recruit up to 30 additional staff (including technical and project management staff) who would take part in the establishment and operation of the research and engineering centre.

OUR BUSINESS MODEL

Solid Waste Treatment Solutions

We provide solid waste treatment solutions through the design, integration and commissioning of solid waste treatment systems, which comprise a range of equipment and other components, on a made-to-order basis pursuant to the technical specifications and requirements of our customers. We generally take into account various factors when providing such solutions, including the types and characteristics of the solid waste to be treated, the targeted serviced regions and sectors, the intended design capacity of the facilities, the layout of existing infrastructure in which the system is to be situated, as well as any technological compatibility issues to be addressed.

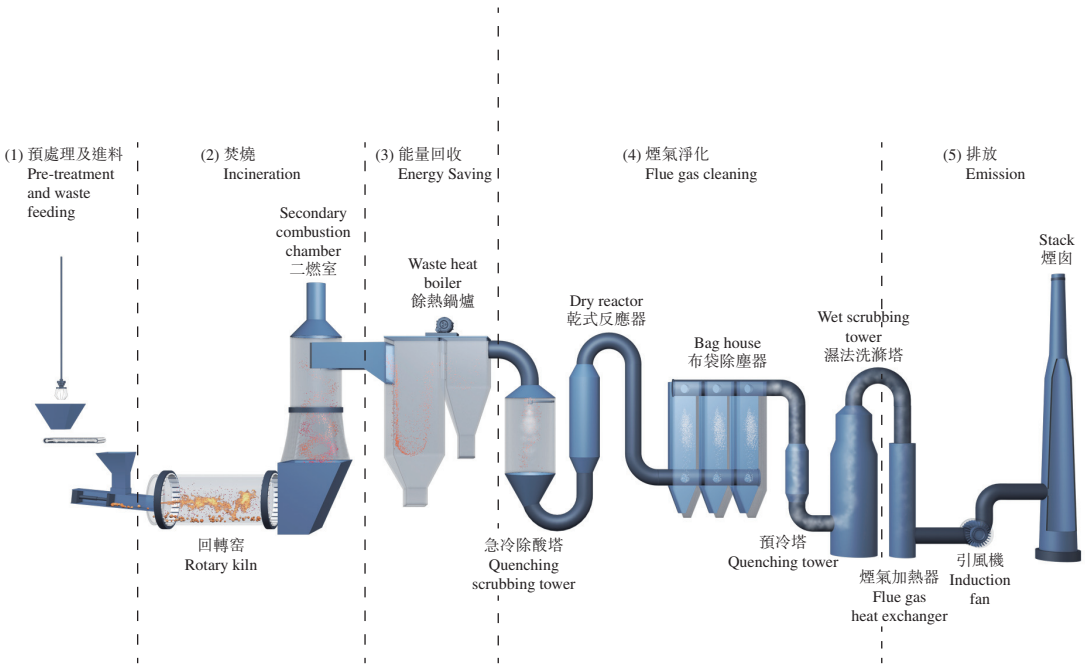
Hazardous Waste Incineration Solutions

Photo: the Guangdong HWCTDC Project

Hazardous waste is a type of solid waste exhibiting one or more of the characteristics as being ignitable, corrosive, reactive, infective or toxic, posing threats to public health or the environment. Accordingly, the treatment of hazardous waste is subject to more stringent technical and compliance standards as compared to non-hazardous waste.

Our hazardous waste incineration solutions comprise the use of a rotary kiln incineration system (回轉窑焚燒系統), which adopts a globally prevalent and mature technology aiming to ensure thorough destruction and oxidation of the hazardous waste with minimised environmental impact. The diagram below illustrates how a typical rotary kiln incineration system works for the treatment of hazardous waste:

Rotary Kiln Incineration of Hazardous Waste



(1) Pre-treatment and waste feeding

To optimise treatment effect, system stability and cost efficiency, hazardous waste is pre-sorted and pre-treated through procedures, such as screening, shredding and blending, before it is fed into the incineration system hopper. We carefully assess and maintain constant gross calorific values of the waste and ensure it is fed for incineration in regular piece sizes and continual batches by taking into account factors such the composition, characteristics, degree of humidity and amount of organic substance of the hazardous waste feeding.

(2) Incineration

Rotary kiln

As a key component of the rotary kiln incineration system, a rotary kiln is used as the primary step for the combustion of hazardous waste. It is fed with the hazardous waste and an appropriate amount of fuel at the mouth of the kiln and operates at not less than 850°C with slow rotation generally one revolution per minute. Axis of the rotary kiln is inclined at a slight angle to ensure sufficient time for incineration and gasification of organics in the hazardous waste. Bottom ash is removed at the bottom end of the kiln.

Secondary combustion chamber

A secondary combustion chamber is used for extinguishing the hazardous and toxic substances, including the dioxins, which have not been burnt-off completely in the rotary kiln. The secondary combustion chamber is added with fuel to keep the temperature above 1100°C. Flue gas is usually retained in the chamber for at least two seconds to maximise the destruction of organics and to achieve a higher removal rate of persistent organic pollutants, such as polychlorinated biphenyls (多氯聯苯).

(3) Energy saving

Waste heat boiler

Energy content of flue gas from the secondary combustion chamber is recovered as steam by a waste heat boiler. Such by-product can be used for pre-treatment of waste or other process or to generate electricity, depending on its scale and pre-conditions. In addition, nitrous oxides are removed at waste heat boiler feeding through a SNCR process (非催化還原法脱硝).

(4) Flue gas cleaning

Quenching and scrubbing tower

As the synthesis of dioxins is most active between 200°C to 500°C, the temperature in the quenching and scrubbing tower is swiftly lowered from 500°C to 200°C where atomised lime slurry is employed to scrub the acid gas so that flue gas can be swiftly cooled down in less than one second to avoid reformation of dioxins.

Dry reactor, bag house and wet scrubbing tower

The subsequent flue gas cleaning process comprises a combination of dry adsorption, semi-dry adsorption and wet scrubbing, as well as the filtering of dust by a bag house to further ensure compliance with relevant emission standards, including the heavy metals and dioxin limit.

(5) Emission

Purified flue gas is emitted through the stack outlet which is equipped with detecting sensors to monitor pollutants emission level of the treatment process.

Based on the technical specifications and requirements of our customers, we design, integrate and commission tailor-made incineration systems to customers with optimised environmental protection effect and commercial viability, underlined by our technological advantages to adjust according to precise hazardous waste proportion and mixture, and to achieve stable and effective rotary incineration, complete secondary combustion and rapid and efficient filtering of pollutants and purification of flue gas.

Thermal Desorption of Oil Sludge **(油泥熱脱附)**

We provide thermal desorption solutions for the treatment of oil sludge, which is a type of hazardous waste mainly generated from oil exploitation and extraction. Oil sludge also contains substances which can be utilised and turned into crude oil. According to Frost & Sullivan, oil sludge inventory in China reached over 160 million tonnes in 2017, stimulating a great market demand for highly efficient and low cost sludge treatment facilities with large scale waste processing capability. Oil sludge is traditionally treated in China by incineration. Newer treatment methods, such as thermal desorption, have been increasingly adopted in recent years which have the advantages of harmlessly treating oil sludge while extracting its useful substances for further utilisation.

Photo: the Karamay Project

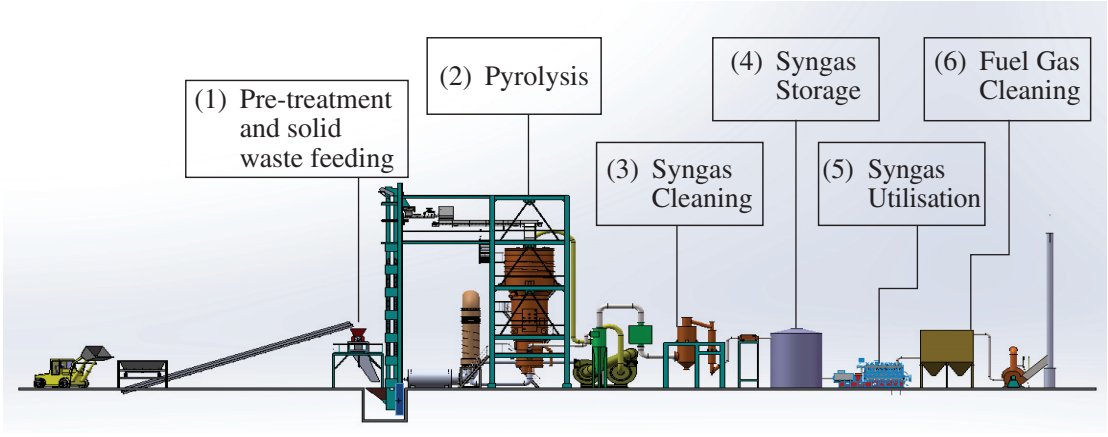
We have developed thermal desorption solutions to remove contaminants with relatively low vaporising temperature from solid or semi-solid waste by utilising heat to increase the volatility of such contaminants. Thermal desorption is an environmental remediation technology and has the advantages of low environmental impact and high level of resource utilisation and is usually used for treatment of solid matrix such as oil sludge and soil. To commercialise such solutions, we entered into a service contract with an oil service provider in China which has the relevant operating licence, to lease and provide operation and maintenance services for, an oil sludge treatment facility designed and commissioned by us. We are responsible for the costs incurred in relation to the design, integration and commissioning of, as well as the provision of operation and maintenance services for, such

facility. We own such facility which is composed of modular components that can be disassembled and re-installed on another oil sludge site for treatment. We are entitled to charge a leasing and operation fee from the counterparty upon commencement of operation mainly based on the actual treatment volume of oil sludge, at a price generally ranging from RMB345 to RMB360 per tonne, for an initial term of three years which, when expired, can be renewed by our counterparty and us upon mutual consent. In the event of non-renewal, we are required to disassembled the facility from the current treatment site within a prescribed period. Otherwise, ownership of the facility would be transferred to our counterparty at nil consideration. After being disassembled, the facility can be re-installed and operated for other oil sludge treatment projects. The Karamay Project is designed with an oil sludge treatment capacity of 300,000 tonnes per annum, which is generally more cost-efficient than conventional oil sludge treatment systems in China according to Frost & Sullivan.We expect our total investment in the Karamay Project to be RMB20.0 million and the investment return thereof to be approximately RMB28.9 million for the initial three years' term commencing from the operation. As at the Latest Practicable Date, our investment in the Karamay Project for the design and commissioning of the oil sludge treatment facility was approximately RMB15.1 million, according to our management account. As at the Latest Practicable Date, the Karamay Project was in trial operation and it is expected to commence operation in December 2018.

Pyrolysis (無氧裂解)

We develop and utilise solid waste treatment solutions adopting the pyrolysis technology. The pyrolysis technology creates a genuine anoxic pyrolysis decomposition process which eliminates air insurgence and prevents the formation of oxidant pollutants such as SOx, NOx and dioxins from the beginning of and throughout the treatment process. In general, the pyrolysis technology is able to treat solid waste at a relatively low unit cost with higher level of resource utilisation. It is also capable of preventing hydrogen chloride formation, reducing tar and char and resolving other technical hurdles faced by conventional thermolysis process for treatment of solid waste.

The diagram below illustrates how a typical pyrolysis system works for the treatment of solid waste:



Our pyrolysis technology can be utilised for a number of solid waste treatment applications. For instance, we have entered into a project contract with Dongjiang Group for the design and commissioning of a system in Jiangmen, Guangdong province, for the treatment of highly cohesive organic solid waste, such as paint, ink and film residues, utilising the pyrolysis technology at a designed treatment capacity of approximately 3,600 tonnes per annum (the "Jiangmen Project"). As at the Latest Practicable Date, the project had completed the final system integration and is expected to be delivered and underwent examination in the first half of 2019.

In addition, under the MSW Collaboration, we have been collaborating with Guangdong Xingyue for the development and commercialisation of pyrolysis treatment systems installed on motor vehicles for the distributed and movable treatment of municipal solid waste. In this connection, we had, together with Guangdong Xingyue, established a joint venture, Guangdong Lvhuan, of which we owned 51% of its equity interest as at the Latest Practicable Date. Under such collaboration, we would be mainly responsible for the development of the technologies and the design and integration of the solutions and would therefore own intellectual properties from such endeavours. Guangdong Xingyue would be mainly responsible for the marketing, sales or operation of such pyrolysis system installed motor vehicles. As at the Latest Practicable Date, we were conducting prototyping for the development of such pyrolysis technology. We expect Guangdong Lvhuan to enter into the project contract in the first half of 2019 under which it would either sell the pyrolysis system installed motor vehicles directly to customers or to operate such motor vehicles by charging treatment fees. We expect the initial investment in the MSW Collaboration to be around RMB20.0 million under an operation project model, and our share of such investment will be funded by our internal resources.

Our pyrolysis technology can be used for the pre-treatment of waste new energy batteries by decomposing organic waste, such as polyethylene and polyvinylidene fluoride, contained in the positive electrode of the batteries to facilitate further recycling. Pyrolysis is a cleaner and pollutant-free method to pre-treat waste batteries compared to conventional methods. As at the Latest Practicable Date, we were conducting trial testing for the application of pyrolysis technology in pre-treatment of waste new energy batteries and we were also in the process of negotiating contract terms for providing pyrolysis solutions to a new energy battery recycling service provider in Hunan province, China. We expect to enter into the first project contract in the first half of 2019 for the project to be completed in the second half of 2019. For more details, see "– Research and Development".

Our pyrolysis technology can also be applied to decompose organic waste contained in waste paper residues to facilitate its recycling process. As at the Latest Practicable Date, we were commercialising this technology in waste paper residues treatment and we had established, with an environmental protection company in China, a joint venture, Weierneng Environmental, for the operation of waste paper recycling systems. As at the Latest Practicable Date, Weierneng had entered into a service contract for a term of five years with a paper manufacturer in Shandong province to provide the pyrolysis treatment of waste paper residues, pursuant to which the paper manufacturer is responsible for providing the project site and the waste paper residues for treatment. We are responsible for the design, integration, commission

and operation of the pyrolysis treatment system, the initial investment for the project, as well as the training of the technicians from our counterparty pursuant to the contract. We own such facility and are entitled to charge an operation fee on a monthly basis from our counterparty during the contract term, upon commencement of operation mainly based on the actual treatment volume of waste paper residues, at a price of RMB50 per tonne. In addition, we also charge our counterparty for the syngas generated from the course of the treatment of waste paper residues, which will be utilised as our counterparty's fuel for the pyrolysis treatment, at market price. When the contract expires, the ownership of the facility will be transfered to our counterparty on condition that they repay all the initial investment to us. We expect our first project to commence operation in the first half of 2019 with the total investment estimated at around RMB25.0 million and our share of which will be funded by the [**REDACTED**] from the [**REDACTED**].

Cement plant parallel kiln co-treatment

We develop the cement plant parallel kiln co-treatment solutions in response to the PRC government's policies to encourage co-treatment of hazardous waste utilising the existing cement production process and facilities. According to Frost & Sullivan, a large number of both newly-built and existing cement kilns in China are eligible and encouraged by industry policies to upgrade their production facilities which implement co-treatment systems of hazardous waste and such co-treatment practice has proved to be economically beneficial for cement producers at a minimal investment and technological input. According to Frost & Sullivan, the production capacity of the cement industry in China had hit 1.8 billion tonnes in 2017 and a large amount of cement production capacity in China is suitable and eligible for hazardous waste co-treatment after retrofit.

Driven by such increasing industry demand, we developed the cement plant parallel kiln co-treatment solutions under which hazardous waste can be, depending on its characteristics, directly incinerated in the cement kiln, or pre-treated in a parallel incineration kiln before it is further combusted in the cement kiln. The traditional method of hazardous waste incineration directly within the cement kiln is highly selective in the amount, composition and characteristics of the hazardous waste that can be treated in order to ensure the quality of the cement produced and to minimise the environmental impact created by additional residues. In comparison, the parallel co-treatment solution has the advantages in increasing the types of hazardous waste eligible for disposal and improving the stability of cement production systems and their hazardous waste co-treatment capacity, according to Frost & Sullivan.

We plan to initially commercialise such solutions through the Co-treatment Cooperation with a cement producer in the PRC to invest in and operate a cement plant parallel kiln co-treatment project. Under the Co-treatment Cooperation, the cement producer would be mainly responsible for providing the project site and cement production facilities, as well as obtaining the relevant operating licence, and we would be mainly responsible for the design, integration and commission of such project. Subject to the terms of the cooperation agreement to be entered into with the cement producer, the operation of the project would be undertaken by a project company either jointly established by the cement producer and us or wholly owned by us. The co-treatment project facilities would be owned by the project company and any

profits thereof, such as co-treatment fees, would be shared between us in the manner as provided in the cooperation agreement. According to the environment impact approval obtained by the cement producer, the co-treatment project is expected to treat hazardous waste of up to 83,626 tonnes per annum. As at the Latest Practicable Date, we had entered into a letter of intent with the cement producer and we were in the process of negotiating the commercial terms with this cement producer for the Co-treatment Cooperation. We expect to enter into the cooperation agreement in December 2018. Operation of the project under the Co-treatment Cooperation is expected to commence in the first half of 2019. We expect the initial investment in the Co-treatment Cooperation to be RMB40.0 million, all of which will be funded by our internal resources.

Technical Upgrading and Maintenance Services

Apart from providing solutions for hazardous waste incineration systems, we derived our revenue during the Track Record Period from providing technical upgrading and maintenance services to existing hazardous waste incineration systems and certain cement production facilities in China. This had helped us to diversify our revenue and reach out to potential customers during the initial development of our business. As we focused increasingly on the development of our business in solid waste treatment solutions, revenue contribution of these technical upgrading and maintenance services decreased from 20.7% in 2015 to 11.0% in 2016 and further to 7.0% in 2017 and 4.6% for the six months ended 30 June 2018 with revenue in aggregate amounting to RMB15.5 million, RMB9.8 million, RMB13.3 million and RMB8.5 million for the respective periods.

SOLID WASTE TREATMENT PROJECTS

During the Track Record Period, we had 24 hazardous waste incineration projects covering 24 cities in China with an aggregate designed disposal capacity of approximately 566,000 tonnes per annum, one oil sludge thermal desorption project in Karamay with an aggregate designed treatment capacity of approximately 300,000 tonnes per annum and one pyrolysis project in Jiangmen with an aggregate designed treatment capacity of approximately 3,600 tonnes per annum. Five of these projects were completed during the Track Record Period and 21 were outstanding as at 30 June 2018.

The table below sets out the summary of our solid waste treatment projects during the Track Record Period and up to the Latest Practicable Date:

No.	Project	Designed Disposal/ Treatment Capacity	Commencement Date[1]	Project Completion Date/Expected Project Completion Date[2]	Contract Amount (tax-inclusive)[3]	Revenue for 2015[4]	Percentage of Completion as at 31 December 2015	Revenue for 2016[4]	Percentage of Completion as at 31 December 2016	Revenue for 2017[4]	Percentage of Completion as at 31 December 2017	Revenue for the first half of 2018[4]	Percentage of Completion as at 30 June 2018	Contract Value to be Delivered (excluding tax)[5]
		(Tonnes Per Annum)			*(RMB Million)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*
Hazardous Waste Incineration														
Completed projects during the Track Record Period														
1.	Xinjiang Karamay hazardous waste incineration project (克拉瑪依危廢焚燒處置項目)*	10,000	June 2014	August 2015	22.9[6]	13.5[6]	100.0	–	–	–	–	–	–	–
2.	Industrial Solid Waste Treatment Centre of Jiangxi Province hazardous waste incineration project (江西省工業固體廢物處置中心危廢焚燒處置項目)*	20,000	January 2015	March 2016	35.0	29.1	90.0	3.3	100.0	–	–	–	–	–
3.	Yancheng hazardous waste incineration project (鹽城市危廢焚燒處置項目)*	20,000	January 2015	April 2017	35.4	16.7	52.0	15.0	98.0	0.7	100.0	–	–	–
4.	Hubei hazardous waste incineration project (湖北省危廢焚燒處置項目)*	20,000	April 2016	January 2017	34.5	–	–	30.0	96.0	1.3	100.0	–	–	–
5.	Zhuhai Doumen District hazardous waste incineration project (珠海市斗門區危廢焚燒處置項目)*	20,000	November 2015	February 2017	34.5	0.09	0.3	30.5	97.0	1.0	100.0	–	–	–

No.	Project	Designed Disposal/ Treatment Capacity	Commencement Date[1]	Project Completion Date/Expected Project Completion Date[2]	Contract Amount (tax-inclusive)[3]	Revenue for 2015[4]	Percentage of Completion as at 31 December 2015	Revenue for 2016[4]	Percentage of Completion as at 31 December 2016	Revenue for 2017[4]	Percentage of Completion as at 31 December 2017	Revenue for the first half of 2018[4]	Percentage of Completion as at 30 June 2018	Contract Value to be Delivered (excluding tax)[5]
		(Tonnes Per Annum)			*(RMB Million)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*
Outstanding projects as at 30 June 2018														
6.	Hebei Hengshui hazardous waste incineration project (河北衡水危廢焚燒處置項目)*	20,000	July 2016	December 2018	37.6	–	–	0.4	1.3	32.0	98.0	0.4	99.2	0.4
7.	Shandong Weifang hazardous waste incineration project (山東濰坊危險廢物焚燒處置項目)*	50,000	April 2017	First half of 2019	93.3	–	–	–	–	77.8	94.0	4.1	98.3	1.8
8.	Solid Waste Comprehensive Treatment Centre of Qingyuan Overseas Chinese Industrial Park hazardous waste incineration project (清遠華僑工業園固體廢物綜合處置中心危廢焚燒處置項目) in Guangdong province	20,000	September 2016	First half of 2019	36.0	–	–	–	–	29.3	92.0	1.4	96.6	1.2
9.	Taixing Economic Development Zone hazardous waste incineration project (泰興經濟開發區危險廢物焚燒處置項目) in Jiangsu province	30,000	April 2017	First half of 2019	83.9	–	–	–	–	0.9	1.2	42.4	57.6	29.6
10.	Jiangxi Ganzhou hazardous waste incineration project (江西贛州危廢焚燒處置項目)	20,000	June 2017	First half of 2019	44.5	–	–	–	–	19.1	51.0	16.9	92.1	3.2

No.	Project	Designed Disposal/ Treatment Capacity	Project Commencement Date[1]	Project Completion Date/Expected Project Completion Date[2]	Contract Amount (tax-inclusive)[3]	Revenue for 2015[4]	Percentage of Completion as at 31 December 2015	Revenue for 2016[4]	Percentage of Completion as at 31 December 2016	Revenue for 2017[4]	Percentage of Completion as at 31 December 2017	Revenue for the first half of 2018[4]	Percentage of Completion as at 30 June 2018	Contract Value to be Delivered (excluding tax)[5]
		(Tonnes Per Annum)			*(RMB Million)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*
11.	Fujian Quanzhou hazardous waste incineration project (福建泉州危廢焚燒處置項目)*	20,000	June 2017	First half of 2019	41.0	–	–	–	–	12.4	35.0	20.9	92.9	2.6
12.	Jiujiang hazardous waste incineration project (九江危廢焚燒處置項目)	20,000	September 2017	First half of 2019	41.8	–	–	–	–	0.4	1.1	28.2	77.5	8.2
13.	Fujian Nanping hazardous waste incineration project (福建南平危廢焚燒處置項目)*	25,000	September 2017	First half of 2019	44.0	–	–	–	–	0.3	0.8	21.6	55.6	16.6
14.	Shanghai hazardous waste incineration project (上海危廢焚燒處置項目)	25,000	March 2017	First half of 2019	45.9	–	–	–	–	0.5	1.2	21.4	53.2	17.3
15.	Yantai hazardous waste incineration project (煙台危廢焚燒處置項目)	30,000	July 2017	First half of 2020	52.0	–	–	–	–	0.4	0.9	0.3	1.4	45.2

No.	Project	Designed Disposal/ Treatment Capacity	Commencement Date[1]	Project Completion Date/Expected Project Completion Date[2]	Contract Amount (tax-inclusive)[3]	Revenue for 2015[4]	Percentage of Completion as at 31 December 2015	Revenue for 2016[4]	Percentage of Completion as at 31 December 2016	Revenue for 2017[4]	Percentage of Completion as at 31 December 2017	Revenue for the first half of 2018[4]	Percentage of Completion as at 30 June 2018	Contract Value to be Delivered (excluding tax)[5]
		(Tonnes Per Annum)			*(RMB Million)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*
16.	Nantong hazardous waste incineration project (南通危廢焚燒處置項目)*	25,000	April 2018	First half of 2019	48.0	–	–	–	–	–	–	12.2	27.3	29.8
17.	Xiamen hazardous waste incineration project (廈門危廢焚燒處置項目)*	20,000	April 2018	First half of 2019	43.3	–	–	–	–	–	–	0.2	0.5	37.8
18.	Shaoxing hazardous waste incineration project (紹興危廢焚燒處置項目)*	20,000	May 2018	First half of 2020	51.0	–	–	–	–	–	–	0.2	0.5	44.5
19.	Suzhou Industrial Park solid waste comprehensive treatment project (蘇州工業園固廢危綜合處理項目)	30,000	January 2018	Second half of 2019	94.7	–	–	–	–	–	–	0.5	0.6	81.8
20.	Fuzhou hazardous waste incineration project (福州危廢焚燒處置項目)	20,000	April 2018	First half of 2019	47.4	–	–	–	–	–	–	0.2	0.4	41.6
21.	Hubei Yaojiagang industrial waste treatment and utilisation project I (湖北姚家港工業廢物處理及資源化項目一期)	30,000	April 2018	Second half of 2019	67.0	–	–	–	–	–	–	0.2	0.3	58.8
22.	Hebei Tangshan hazardous waste incineration project (河北唐山曹妃甸危險廢物焚燒處置項目)*	20,000	June 2018	First half of 2019	44.6	–	–	–	–	–	–	0.1	0.2	39.3

No.	Project	Designed Disposal/ Treatment Capacity	Commencement Date[1]	Project Completion Date/Expected Project Completion Date[2]	Contract Amount (tax-inclusive)[3]	Revenue for 2015[4]	Percentage of Completion as at 31 December 2015	Revenue for 2016[4]	Percentage of Completion as at 31 December 2016	Revenue for 2017[4]	Percentage of Completion as at 31 December 2017	Revenue for the first half of 2018[4]	Percentage of Completion as at 30 June 2018	Contract Value to be Delivered (excluding tax)[5]
		(Tonnes Per Annum)			*(RMB Million)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*
23.	Sichuan Chengdu hazardous waste incineration project II (四川成都危險廢物處置中心二期)	30,000	June 2018	First half of 2020	83.8	–	–	–	–	–	–	–	–	72.2
24.	Jiangsu Nanjing hazardous waste incineration project (江蘇南京危險廢物焚燒處置項目)	21,000	June 2018	Second half of 2020	43.4	–	–	–	–	–	–	–	–	38.3
Sub-total		566,000			1,205.5	59.4		79.2		176.1		171.2		570.2
Projects obtained since 30 June 2018 and up to the Latest Practicable Date														
25.	Foshan hazardous waste incineration project (佛山危廢焚燒處置項目)	30,000	September 2018	First half of 2020	59.3	–	–	–	–	–	–	–	–	52.4
26.	Dongguan hazardous waste incineration project (東莞危廢焚燒處置項目)	20,000	September 2018	First half of 2020	45.7	–	–	–	–	–	–	–	–	40.4
Sub-total		50,000			105.0									
Thermal Desorption of Oil Sludge														
Outstanding project as at 30 June 2018														
27.	Karamay Project (克拉瑪依油泥熱脫附處置項目)	300,000	August 2017	Expected to commence operation in December 2018	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]

No.	Project	Designed Disposal/ Treatment Capacity	Commencement Date[1]	Project Completion Date/Expected Project Completion Date[2]	Contract Amount (tax-inclusive)[3]	Revenue for 2015[4]	Percentage of Completion as at 31 December 2015	Revenue for 2016[4]	Percentage of Completion as at 31 December 2016	Revenue for 2017[4]	Percentage of Completion as at 31 December 2017	Revenue for the first half of 2018[4]	Percentage of Completion as at 30 June 2018	Contract Value to be Delivered (excluding tax)[5]
		(Tonnes Per Annum)			*(RMB Million)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*	*(%)*	*(RMB Million)*
Pyrolysis														
Outstanding project as at 30 June 2018														
28.	Jiangmen Project (江門三廢無氧裂解處理項目)*	3,600	July 2017	First half of 2019	5.0	–	–	–	–	–	–	3.5	81.5	0.8

Notes:

(1) The commencement date refers to the signing date of each project contract.

(2) Project completion date or expected project completion date refers to the date on which the system functionality evaluation is completed or expected to be completed.

(3) The contract amount refers to that stipulated in the project contract which includes the underlying value-added tax.

(4) Refers to the revenue recognised for the project during the relevant period of the Track Record Period.

(5) Refers to the contract value to be delivered for the project as at 30 June 2018 excluding the relevant value-added taxes, business taxes and surcharges.

(6) Part of the revenue for this project was recognised in 2014.

(7) As at 30 June 2018, we had entered into the service contract for the Karamay Project which did not set forth a specific contract amount and we were entitled to charge a leasing and operation fee from the counterparty upon commencement of operation based on the actual treatment volume of oil sludge for an initial term of three years pursuant to the service contract. Therefore, we did not have a specific amount of contract value to be delivered for the Karamay Project as at 30 June 2018 and the revenue recognition of the Karamay Project is not by reference to the stage of completion of contract work.

(8) Projects with the counterparty being Dongjiang Group are indicated with "*".

The table below sets out the breakdowns of the number and contract size range of and revenue from our hazardous waste incineration projects by project status for the Track Record Period:

	As at/Year ended 31 December									As at/Six months ended 30 June		
	2015			2016			2017			2018		
	No. of projects	Contract size range (RMB Million)	Revenue RMB'000	No. of projects	Contract size range (RMB Million)	Revenue RMB'000	No. of projects	Contract size range (RMB Million)	Revenue RMB'000	No. of projects	Contract size range (RMB Million)	Revenue
Projects completed during the year[1]	1	22.9	13,463	1	35.0	3,275	3	34.5 – 35.4	3,008	–[4]	–[4]	–[4]
Projects outstanding as at the end of the year[2][3]	4	34.5 – 35.4	45,952	5	34.5 – 37.6	75,887	10	36.0 – 93.3	173,133	19	36.0 – 94.7	171,163
Total	5		59,415	6		79,162	13		176,141	19		171,163

Notes:

(1) Projects completed during the year represent projects of which we had completed the system functionality evaluation for the project during the relevant year.

(2) Outstanding projects represent projects for which we had entered into the relevant project contracts and were yet to be completed as at the end of the relevant year.

(3) One of the four outstanding projects as at 31 December 2015 was a hazardous waste incineration project in Suzhou, which was terminated in 2016 due to a default of contract by the counterparty. This project contributed revenue of RMB0.08 million and RMB0.02 million for the years ended 31 December 2015 and 2016, respectively.

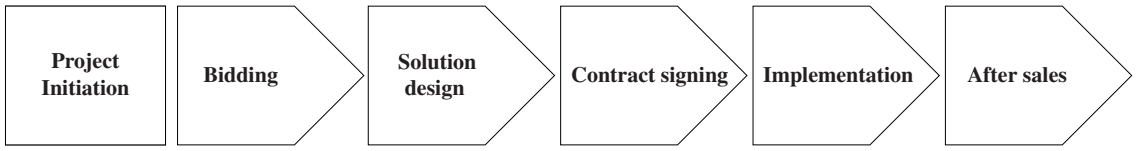
(4) We had not completed any projects during the six months ended 30 June 2018.

As at 30 June 2018, the contract value to be delivered for our hazardous waste incineration projects amounted to approximately RMB570.2 million. Our two other projects outstanding as at 30 June 2018 were the Karamay Project and the Jiangmen Project. The leasing and operation fees from the Karamay Project were agreed to be charged by us upon commencement of operation based on the actual treatment volume of oil sludge. The contract value to be delivered for the Jiangmen Project amounted to RMB0.8 million as at 30 June 2018, as we recognised revenue of RMB3.5 million for this project in the first half of 2018.

Since 30 June 2018 and up to the Latest Practicable Date, we had obtained two new hazardous waste incineration projects with an aggregate designed disposal capacity of 50,000 tonnes per annum and an aggregate contract amount of approximately RMB105.0 million.

OPERATIONAL PROCESS

While each of our solutions is unique and tailor made to cater the requirements of our customers with different specifications, we have a systematic operational process to maintain the quality and consistency of services we provide. The following diagram illustrates the major steps of our typical business operational process:



Our operational process consists of the following steps:

- ***Project initiation.*** We generally initiate a project at the invitation of our customer pursuant to which we will internally assess the feasibility of the project by taking into account factors such as project size, duration, technical requirements, our estimated budget and targeted profitability and the customer profile. If we decide to proceed with the project, we will prepare documents, such as project proposals and price quote, required by the customer to facilitate further commercial negotiation.

- ***Bidding Process.*** We generally secure our projects either by bidding for the new tenders or by commercial negotiation. Our existing customers will from time to time invite us to bid for their tenders and some new customers will also invite us to their tenders due to the smooth operation of our completed projects and our industry reputation. We will then prepare and submit the bidding documents which mainly consist of the preliminary design of the solution, the technical parameters of the facilities and the proposed prices of the project contracts. If we are awarded the biddings by the customers, we may be required to deposit an amount as the guarantee of the project execution and commence to negotiate and execute the project contracts.

- ***Solution design.*** The project proposals would usually include a preliminary solution design based on the technical specifications required by the customer. As we further communicate with the customer, we would work on finalising the design by setting out the technical parameters and formulating system layout, equipment configuration and installation plan. The process of solution design usually takes two to three months depending on the complexity of the project.

- ***Signing of contracts.*** Upon signing the project contract with the customer with agreed commercial terms, we would usually receive from the customer an advance payment equal to generally 10% to 15% of the total contract value to cover our initial costs in carrying out the project.

- ***Procurement of equipment and materials and sub-contracting.*** We confirm with the customer the equipment and materials to be purchased and services to be sub-contracted upon signing the project contract pursuant to which we will select and sign contracts with the suppliers needed for the project.

- ***Project implementation.*** After the delivery of all necessary equipment and materials, we engage third-party contract manufacturers to install the treatment system in accordance with our solution design. The system integration, testing and debugging are typically conducted by our own staff. We are paid the contract amount based on the progress of the project. The solution design and integration plan may be modified based on the progress of the project and any technical problems we may need to address. We generally conduct trial deployments before completion of a project, as well as necessary testing and debugging of the systems. Depending on the scale and complexity of the project, as well as other external factors beyond our control such as applications of environment impact assessment and other government administrative permits by customers, the implementation process usually takes approximately eight to 12 months for construction and equipment installation, three to six months for applications for government approvals and permits, such as fire services inspection and trial operation permits, and another three to six months for trial operation, system functionality evaluation and environment impact assessment before we receive the final acceptance confirmation from the customer.

- ***After-sales services.*** We generally provide a warranty period of one to two years for our solutions starting from the completion of our projects. Our customers retain a portion of the contract amount, generally ranging from 5% to 10%, which can only be released after expiration of the warranty period. We may provide repair and maintenance services and other technical support as after-sales services to our customer if provided under the project contract. Such services are free of charge during the warranty period and are charged for a fee on a pre-negotiated basis after expiry of warranty period.

We focus on the design and development of solid waste treatment solutions. During the Track Record Period and up to the Latest Practicable Date, we had not engaged in any in-house production or assembly of solid waste treatment system equipment or other components. Instead, we procure the equipment (both application-specific and of general use) and other materials needed, from our various suppliers based on our design requirements and project needs. For details, see "– Procurement".

RESEARCH AND DEVELOPMENT

We believe that our research and development capabilities are crucial to our business and also differentiate us from our competitors. As at the Latest Practicable Date, we had a total of 66 personnel conducting research and development activities with an average of approximately ten years of relevant industry experience and accounting for 33.0% of our total number of employees. Our research and development effort of solid waste treatment, in particular the pyrolysis technology, is led by our chief scientist, Dr. Wang Zhicheng, who has years of experience in environmental science research in the United States. For further details on the industry experience of Dr. Wang, see "Directors and Senior Management – Senior Management".

Our research and development activities include both forefront studies of technologies in newer areas of solid waste treatment and application-focused research on upgrading our existing solutions from past projects to meet the evolving needs of solid waste treatment industry. During the Track Record Period, we had, for our rotary kiln incineration technology, focused on enhancing its functionality and efficiency through procedures such as flue gas purification, waste heat utilisation and crystallisation of fly ash. In addition, we had been conducting research and development on oil sludge thermal desorption to achieve continuous treatment and to substantially reduce air and water pollution, as well as processing cost. Moreover, we had been developing pyrolysis technology with respect to a number of solid waste treatment applications and cement plant parallel kiln co-treatment systems to improve their adaptability and compatibility with cement production facilities.

As at the Latest Practicable Date, we had developed technical know-how and registered 23 patents in the PRC in our key research and development areas, including (i) 14 patents for hazardous waste incineration, (ii) one patent for oil sludge thermal desorption, (iii) four patents for pyrolysis technology, and (iv) four patents for cement plant parallel kiln co-treatment.

The table below sets out certain of our on-going research and development projects as at the Latest Practicable Date:

Technology	**Application**	**Location**	**Current Status as at the Latest Practicable Date**	**Estimated time of entering into first project contract**	**Expected total capital expenditure** *(RMB million)*	**Expenses incurred as at the Latest Practicable Date** *(RMB million)*
Pyrolysis	Distributed and movable municipal solid waste treatment system installed on motor vehicles	Shunde, Guangdong Province	Conducting prototyping	First half of 2019	2.0	1.1
Pyrolysis	Treatment of organic waste for the recycling of waste new energy batteries	Changsha, Hunan Province	Under trial testing	Second half of 2019	5.0	3.1

Our research and development expenses were RMB2.6 million, RMB5.6 million, RMB8.2 million and RMB3.5 million for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively. To enhance our ability to translate our research and development results into commercially viable solution design and system integration, we plan to establish a research and engineering centre in Guangdong province. For details, see "– Our Business Strategies – Establish and utilise our research and engineering centre to enhance service standards".

INTELLECTUAL PROPERTY

We apply various product designs, technologies and know-how that were developed by us. We non-exhaustively rely on the laws and regulations of trade secrets, patents, copyrights and trademarks, as well as confidentiality agreements to protect our intellectual property rights. For further details of our material intellectual property rights, see "Statutory and General Information – B. Further Information about the Business – 2. Intellectual property rights".

As at the Latest Practicable Date, we had 23 registered patents and 24 patents pending registration in the PRC primarily relating to our hazardous waste incineration technology and applications. During the Track Record Period, we also acquired a patent relating to enhancing hazardous waste incineration efficiency from a third-party academic institution in China. Since 30 June 2018 and up to the Latest Practicable Date, we acquired another two patents relating to pyrolysis treatment, directly or indirectly, from one of our senior management, Mr. Wang Zhicheng. As at the Latest Practicable Date, we owned three registered software copyrights in the PRC mainly relating to the monitor and control of hazardous waste incineration systems. As at the Latest Practicable Date, we had nine and three trademarks registered in the PRC and Hong Kong, respectively, and two trademarks pending registration in the PRC.

We undertake a pro-active approach and seek to maintain proper registration of our intellectual property rights. We also rely on trade secrets protection and contractual restrictions to safeguard our intellectual property rights. For instance, we enter into confidentiality agreements with certain of our senior management and other employees, as well as suppliers to protect such trade secrets relating to our know-how. We closely monitor and collect information on any instances of infringement on our intellectual property rights, and we take legal action where necessary and cooperate with local authorities to enforce our intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any infringement of other's intellectual property rights or infringement of our intellectual property rights by others that would have a material adverse impact on our business and we were not involved in any proceedings involving infringement of intellectual property rights.

SALES AND CUSTOMERS

Our customers primarily consist of (i) hazardous waste treatment facility operators, including subsidiaries and affiliated companies of internationally renowned environmental service providers, such as Dongjiang Group and SUEZ, and (ii) other customers with large solid waste output and environmental compliance needs, such as an oil service provider. During the Track Record Period and up to the Latest Practicable Date, except Jiangsu Suquan Solid Waste Management Limited, all of our customers were Independent Third Parties.

Major Customers

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, revenue from our five largest customers for the Track Record Period, which were primarily hazardous waste treatment facility operators, amounted to RMB74.9 million, RMB89.0 million, RMB187.3 million and RMB178.8 million, respectively, accounting for 100.0%, 100.0%, 98.9% and 97.7% of our total revenue, respectively. As at 30 June 2018, the contract value to be delivered for our projects (other than those for technical upgrading and maintenance) by our top five customers for the Track Record Period was RMB231.1 million, accounting for 40.5% of the total amount of our contract value to be delivered for such projects. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, revenue from our largest customer for the Track Record Period, Dongjiang Group, amounted to RMB59.3 million, RMB83.5 million, RMB135.1 million and RMB68.5 million, respectively, accounting for 79.2%, 93.9%, 71.4% and 37.4% of our total revenue, respectively. During the Track Record Period, three of our five largest customers, namely, Dongjiang Group, SUEZ and Shenzhen Shentou Environmental Technology Co., Ltd., ranked first, fourth and ninth, respectively, among the ten largest centralised hazardous waste treatment facility operators in China as at 31 December 2017 in terms of annual designed disposal capacity, according to Frost & Sullivan. We have established on-going business relationships and co-operations with our five largest customers for the Track Record Period for approximately five years on average. We do not have any long-term or exclusive agreement with our five largest customers for the Track Record Period.

The following table sets out the identities and details of our top five customers for the Track Record Period:

			Year ended 31 December 2015						
Rank	**Name**	**Business nature**	**Nature of business relationship with us**	**Revenue contribution** *(%)*	**Years of business relationship with us**	**Registered capital** *(RMB million)*	**Market share[1]**	**Industry ranking[1]**	**Financial scale (in 2017)**
1.	Dongjiang Group	Hazardous waste treatment facility operator	Hazardous waste incineration	79.2	7	887.1	2.8%	1	Revenue: RMB3.1 billion; Total assets: RMB9.2 billion
2.	Guangdong CITIC Green Island Cement Co., Ltd./Green Island Cement (Holdings) Limited[2]	Cement producer	Technical upgrading and maintenance services	20.6	7	233.4	N/A[3]	N/A	N/A
3.	Shenzhen Shentou Environmental Technology Co., Ltd.	Hazardous waste treatment facility operator	Technical upgrading and maintenance services	0.1	5	100.0	0.3%	9	N/A

Year ended 31 December 2015

Rank	Name	Business nature	Nature of business relationship with us	Revenue contribution (%)	Years of business relationship with us	Registered capital (RMB million)	Market share[1]	Industry ranking[1]	Financial scale (in 2017)
4.	Suzhou Shizuan Environmental Protection Co., Ltd. (蘇州時鑽環保實業有限公司)	Hazardous waste treatment facility operator	Hazardous waste incineration	0.1	1[6]	100.0	<0.3%	N/A	N/A
5.	N/A[4]								

Year ended 31 December 2016

Rank	Name	Business nature	Nature of business relationship with us	Revenue contribution (%)	Years of business relationship with us	Registered capital (RMB million)	Market share[1]	Industry ranking[1]	Financial scale (in 2017)
1.	Dongjiang Group	Hazardous waste treatment facility operator	Hazardous waste incineration and technical upgrading and maintenance services	93.9	7	887.1	2.8%	1	Revenue: RMB3.1 billion; Total assets: RMB9.2 billion
2.	Guangdong CITIC Green Island Cement Co., Ltd./Green Island Cement (Holdings) Limited[2]	Cement producer	Technical upgrading and maintenance services	3.8	7	233.4	N/A[3]	N/A	N/A
3.	Hebei Construction and Engineering Group Co., Ltd., First Branch (河北建工集團有限責任公司第一分公司)	Real estate constructor	Technical upgrading and maintenance services	2.0	3	815.0	N/A[3]	N/A	N/A
4.	Shenzhen Shentou Environmental Technology Co., Ltd.	Hazardous waste treatment facility operator	Technical upgrading and maintenance services	0.2	5	100.0	0.3%	9	N/A
5.	Shanghai Changying Environmental Services Co., Ltd. (上海長盈環保服務有限公司)	Industrial waste collector and treatment facility operator	Technical upgrading and maintenance services	0.1	2	18.75	<0.3%	N/A	N/A

				Year ended 31 December 2017					
Rank	**Name**	**Business nature**	**Nature of business relationship with us**	**Revenue contribution** *(%)*	**Years of business relationship with us**	**Registered capital** *(RMB million)*	**Market share[1]**	**Industry ranking[1]**	**Financial scale (in 2017)**
1.	Dongjiang Group	Hazardous waste treatment facility operator	Hazardous waste incineration and technical upgrading and maintenance services	71.4	7	887.1	2.8%	1	Revenue: RMB3.1 billion; Total assets: RMB9.2 billion
2.	Guangdong Xinlongsheng Environmental Technology Co., Ltd. (廣東鑫龍盛環保科技有限公司)	Environmental protection services provider	Hazardous waste incineration	15.5	2	10.0	<0.3%	N/A	N/A
3.	Ganzhou Honghua Environmental Protection Co., Ltd. (贛州宏華環保有限責任公司)	Environmental protection technology and products researcher and developer; environmental protection equipment producer and vendor	Hazardous waste incineration	10.1	1	66.0	<0.3%	N/A	N/A
4.	Guangdong CITIC Green Island Cement Co., Ltd./Green Island Cement (Holdings) Limited [2]	Cement producer	Technical upgrading and maintenance services	1.2	2	HK722.0	N/A[3]	N/A	N/A
5.	Xinjiang New Energy (Group) Zhundong Environmental Protection and Development Co., Ltd. (新疆新能源(集團)准東環境發展有限責任公司)	Oil service provider	Technical upgrading and maintenance services	0.7	2	75.0	<0.3%	N/A	N/A

Rank	Name	Business nature	Nature of business relationship with us	Six months ended 30 June 2018 Revenue contribution *(%)*	Years of business relationship with us	Registered capital *(RMB million)*	Market share[1]	Industry ranking[1]	Financial scale (in 2017)
1.	Dongjiang Group	Hazardous waste treatment facility operator	Hazardous waste incineration, pyrolysis, and technical upgrading and maintenance	37.4	7	887.1	2.8%	1	Revenue: RMB3.1 billion; Total assets: RMB9.2 billion
2.	SUEZ	Hazardous waste treatment facility operator	Hazardous waste incineration	23.1	2	144.0	0.5%	4	N/A
3.	Jiujiang Puze Environmental Protection Technology Co., Ltd. (九江浦澤環保科技有限公司)	Environmental protection technology developer and environmental protection facility operator	Hazardous waste incineration	15.4	1	80.0	<0.3%	N/A	N/A
4.	Wuxi Xuelang Environmental Tech Co., Ltd. (無錫雪浪環境科技股份有限公司)	Hazardous waste treatment facility operator	Hazardous waste incineration	11.7	2	130.1	<0.3%[5]	N/A[5]	Revenue: RMB818.0 million; Total assets: RMB2.2 billion
5.	Ganzhou Honghua Environmental Protection Co., Ltd. (贛州宏華環保有限責任公司)	Environmental protection technology and products researcher and developer, environmental protection equipment producer and vendor	Hazardous waste incineration and technical upgrading and maintenance	9.9	1	66.0	<0.3%	N/A	N/A

Notes:

(1) By annual designed disposal capacity in 2017 for hazardous waste incineration treatment facility operators.

(2) Guangdong CITIC Green Island Cement Co., Ltd. was among our top five customers for 2015 and 2016, whose parent company, China Cement Company (International) Limited, is a sister company of Green Island Cement (Holdings) Limited, one of our top five customers for 2017, both under the control of Cheung Kong Infrastructure Holdings Limited.

(3) Not hazardous waste incineration treatment facilities operators.

(4) We had a total of four customers for the year ended 31 December 2015.

(5) Wuxi Xuelang Environmental Tech Co., Ltd. had a market share of 9.3%, ranking third, in terms of revenue among solutions providers in hazardous waste incineration market in 2017.

(6) Our project with Suzhou Shizuan Environmental Protection Co., Ltd. was terminated in 2016.

As at the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest customers for the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their close associates or any Shareholder which, to the knowledge of our Directors, owns more than 5% of the number of issued shares of the Company, had any interest in any of our five largest customers during the Track Record Period.

Business Relationship with Dongjiang Group

Dongjiang Group is a leading comprehensive environmental service provider in China whose main businesses cover, among others, industrial waste treatment and disposal, including hazardous waste incineration. We commenced our business relationship with Dongjiang Group in 2006 when our predecessor company Guangzhou Weigang E&ME was engaged to design, integrate and commission a rotary kiln incineration system for Phase I of Guangdong HWCTDC operated by the joint venture established by Dongjiang Group and its partner. We were introduced by this joint venture partner of Dongjiang Group to participate in the bidding for this Guangdong HWCTDC project. Due to the smooth operation of the incineration system commissioned by us for Guangdong HWCTDC since its delivery, Dongjiang Group came to recognise our technological capability and quality of service and began to invite us to participate in its other hazardous waste incineration projects. We have maintained a strong and stable business relationship with Dongjiang Group and our PRC subsidiary Guangzhou Weigang has been providing specialised and tailor-made hazardous waste incineration solutions to Dongjiang Group for more than seven years. Our Directors confirmed that other than our business relationship with Dongjiang Group and the fact that Mr. Ren, one of our substantial shareholders, was a supervisor of Dongjiang Group from June 2016 to September 2016, the Company and its shareholders, directors and senior management did not maintain any other relationship with Dongjiang Group during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we were a key supplier to Dongjiang Group which provided solutions with respect to its hazardous waste incineration projects. According to Frost & Sullivan, Dongjiang Group had four hazardous waste incineration projects under construction in China as at each of 31 December 2015, 2016 and 2017, with an aggregate annual designed disposal capacity of 80,000 tonnes, 80,000 tonnes and 115,000 tonnes, respectively, and as at 30 June 2018, Dongjiang Group had eight hazardous waste incineration projects under construction in China with an aggregate annual designed disposal capacity of 200,000 tonnes, in which we were engaged to provide solutions to all of such projects. For more details on our projects engaged by Dongjiang Group, see "– Solid Waste Treatment Projects". As at 30 June 2018, we were the only hazardous waste incineration solution provider for Dongjiang Group for its hazardous waste incineration projects under construction, according to Frost & Sullivan.

In addition to our provision of hazardous waste incineration to Dongjiang Group, we also seek to maintain and further strengthen our business relationship with Dongjiang Group in areas such as application of the pyrolysis technology in solid waste treatment.

Reliance on Dongjiang Group

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, our revenue from Dongjiang Group amounted to RMB59.3 million, RMB83.5 million, RMB135.1 million and RMB68.5 million, respectively, accounting for 79.2%, 93.9%, 71.4% and 37.4% of our total revenue, respectively. The relatively high revenue contribution of Dongjiang Group in 2015 and 2016 was mainly due to the fact that we had a limited number of hazardous waste incineration projects on hand in these years of which four out of five and five out of six of such projects were engaged by Dongjiang Group in 2015 and 2016, respectively. In 2015 and 2016, we are a small-scale company with limited resource of both labour and capital. Therefore, our strategy was to focus our business on serving a leading hazardous waste incineration treatment facility operator, Dongjiang Group, to enhance our technologies and improve our brand to the maximum extent. Due to our past performance and reputation, we had the chance to expand our company and businesses and to provide solutions and services to more industry players. In 2017 and the six months ended 30 June 2018, seven out of 13 and eight out of 19 of our hazardous waste incineration projects were engaged by Dongjiang Group, respectively. As we further strengthen our longstanding business relationship with Dongjiang Group, we expect that our sales to Dongjiang Group are not likely to decline sharply over the next few years. Nonetheless, if for any reason Dongjiang Group significantly reduces its procurement of services from us, our business, financial condition and results of operations could be materially and adversely affected. For further details, see "Risk Factors – Risks Relating to Our Business and Industry – We derived a substantial portion of our revenue from Dongjiang Group during the Track Record Period. Any decrease in our sales to Dongjiang Group or any adverse changes in its business or financial condition could materially and adversely affect our business, financial condition and results of operations".

Customer Diversification

Despite our substantial revenue generated from sales to Dongjiang Group during the Track Record Period, we have been in recent years actively implementing customer diversification strategies to enlarge our customer base and diversify our revenue source.

We proactively seek business opportunities from both existing and new customers, with a focus on market-leading industry participants with extensive solid waste treatment operations coverage and project reserves and/or high demand on environmental compliance and related technical upgrades needs. We maintain close communications with and make periodic visits to potential customers to understand their specific technical and operational needs, explain the technical specifications and advantages of our solutions and how our solutions will suit their evolving needs for different types of solid waste treatment projects. We also participate in trade exhibitions and industry forums to promote our solutions to a wide range of industry participants.

Increased customer base for hazardous waste incineration

Leveraging our enhanced technical expertise and industry recognition in China, we have established relationships with an increasing number of customers other than Dongjiang Group for our hazardous waste incineration business during the Track Record Period, including a subsidiary of SUEZ, a global leader in solid waste treatment, and Shenzhen Shentou Environmental Technology Co., Ltd., one of the first centralised industrial hazardous waste treatment facility operators in China. Our hazardous waste incineration revenue from customers other than Dongjiang Group increased from RMB0.08 million in 2015 to RMB50.6 million in 2017 with revenue contribution increased from 0.1% in 2015 to 28.7% in 2017. For the six months ended 30 June 2018, our hazardous waste incineration revenue contribution from customers other than Dongjiang Group continued to increase and contributed 65.1% of our total revenue, amounting to RMB111.5 million for the same period.

Decrease in revenue and project contribution from Dongjiang Group

During the Track Record Period, the revenue contribution of Dongjiang Group decreased from 79.2% in 2015 to 71.4% in 2017 and further to 37.4% for the six months ended 30 June 2018 primarily due to our continual efforts in customer diversification for hazardous waste incineration. Furthermore, as we continue with such efforts for hazardous waste incineration with an increasingly diversified project portfolio in the pipeline from a variety of customers, we expect revenue contribution from Dongjiang Group to be below 50% for the years ending 31 December 2018 and 2019.

In particular, 30.3% and 69.7% of the contract value to be delivered for our hazardous waste incineration projects were from Dongjiang Group and other customers, respectively, as at 30 June 2018. For more information on our projects in the pipeline, see "– Solid Waste Treatment Projects".

Expansion into other solid waste treatment business

On the other hand, we are also actively reaching out to industry participants for the development and commercialisation of our solid waste treatment solutions other than hazardous waste incineration. For instance, we have entered into a service contract with an oil service provider in China for the Karamay Project with respect to oil sludge thermal desorption. At the same time, we are in collaboration with several industry participants, such as a municipal solid waste disposal operator and solid waste recycling service providers, on the research and development or pilot projects of pyrolysis technology which are expected to commence commercial operation starting from the first half of 2019. In light of the anticipated market growth of solid waste treatment in China together with our enhanced investment on technologies and talents, we believe our solid waste treatment solutions other than hazardous waste incineration will become the new growth drivers to complement our existing business in the years to come, which will help to further materialise our customer diversification strategies.

Strategic cooperation with industry players

To achieve the aforementioned goal for customer diversification and strengthening of business relationships, we have sought and will be seeking strategic partners to jointly expand our businesses and market share. For instance, we entered into a three-year strategic cooperation agreement in 2016 with Beijing Orient Landscape, an A-share listed company and leading landscaping service provider in China, pursuant to which we agreed to pursue business co-operation opportunities with Beijing Orient Landscape in areas such as hazardous waste incineration solutions, pyrolysis treatment of municipal solid waste and cement plant parallel kiln co-treatment. Up to the Latest Practicable Date, we had not entered into any specific transaction with Beijing Orient Landscape. In April 2018, Orient Landscape, a wholly-owned subsidiary of Beijing Orient Landscape, subscribed for 10% of the equity interest in Guangzhou Weigang, our key PRC operating subsidiary. For details, see "History, Reorganisation and Group Structure – Reorganisation – (9) Subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape". In October 2018, we entered into a strategic cooperation agreement with China Everbright Greentech, a PRC environmental protection service provider and a company listed on the Stock Exchange (stock code: 1257), pursuant to which both parties agree to explore co-operation opportunities for technological development, exchange and commercialisation, and project management and investment in areas such as hazardous waste incineration treatment, pyrolysis treatment of solid waste and oil sludge thermal desorption technology. As at the Latest Practicable Date, we had not entered into any specific transaction with China Everbright Greentech.

Our Project Contracts

We generally enter into project contracts with our customers for the design, integration and commissioning of each solid waste treatment project. The term of our project contracts varies pending on the length of time of specific projects generally ranging from six to 12 months. The general terms of our project contracts are summarised as follows:

- ***Scope of work.*** The contracts set out our scope of work including system design, configuration, installation, construction and integration pursuant to technical specifications and customer requirements, together with any agreed after-sales and technical support services. We source the equipment and materials needed from vendors and outsource the construction and other related engineering work to third-party sub-contractors. We are responsible for overseeing the quality of such products and services procured, as well as managing the entire construction work process.

- ***Our customers' rights and obligations.*** Our customers have the rights to inspect and supervise our services and require us to provide relevant technical support and guidance. Our customers shall provide necessary technical materials and information, and work conditions and equipment to facilitate our on-site work. They shall also issue to us a final acceptance certificate after conducting the quality and function tests of the waste treatment systems completed.

- ***Test and acceptance of our solutions.*** The waste treatment systems constructed and employed with our designed solutions will be inspected and examined by our customers at the facility site. After the inspection, the technical staff from our customers will issue a final acceptance certificate as the proof of acceptance of our services and completion of the project.

- ***Payment.*** Our project contracts typically provide for progress payments from customers including: (i) (with respect to an advance amount) upon signing of the project contract; (ii) (with respect to the remaining contract amount) with reference to the value of work completed at specified milestone dates during the design and construction process (such as upon completion of solution design and delivery of key system integration equipment) and upon project completion with the system functionality evaluation by the customer; and (iii) (with respect to the retention funds) after the expiry of the warranty period.

- ***Warranty period.*** We generally provide a warranty period of one to two years starting from project completion, during which period we will provide after-sales services to our customers free of charge. Such services provided after expiry of warranty period are charged for a fee on a pre-negotiated basis.

- ***Health, safety and environmental protection.*** Both parties shall conform to the applicable health, safety and environmental protection laws and regulations of the PRC, as well as the internal policies of the respective parties.

- ***Confidentiality.*** By mutual agreement, the engineering technology and technical materials, such as operation data, specific technical parameters and solution design, are regarded as trade secrets and shall be held confidential for a period of generally ten years effective from signing of the project contracts.

- ***Contract termination.*** Our project contracts can be terminated by mutual consent or upon breach of contract by either party.

Pricing Policy and Payment

We generally negotiate prices with our customers on a case-by-case basis taking into account a number of factors such as scale and complexity of the project, technical specifications required and the level of system customisation, our estimated costs plus a reasonable profit margin, customer profile and our relationship with such customer, any payment terms and the prices of any competing solutions. We generally assess the relevant factors and review market conditions to adjust our pricing on a regular basis. We typically do not grant our customers credit terms for each instalment of payment of a project. Our customers generally settle their payment by wire transfer. For details, see "Financial Information – Trade and Note Receivables".

Warranties

We generally provide a warranty period of one to two years for our solutions starting from the completion of our projects. An amount equal to 5% to 10% of the total contract price is usually retained by customers which can only be released after expiration of the warranty period. We may provide repair and maintenance services and technical support as after-sales services to our customers which are free of charge during the warranty period and charged for a fee on a pre-negotiated basis after expiry of warranty period.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any instances of material sales refunds, recalls, returns, replacements, repairs or other quality problems with our services.

Seasonality

We typically record lower revenue for our hazardous waste incineration business during the first quarter every year due to the Chinese New Year holiday. Production at factories or construction work in China tends to slow down for at least four weeks, or even completely shutdown, before and after the Chinese New Year holiday. In this vein, our equipment and materials suppliers and contract manufacturers often are not operating during those holidays. Therefore, we generally experience a decrease in our provision of services during these periods and an increase in our business for the periods prior to and after the holidays. For more details, see "Risk Factors – Our business is subject to seasonality due to holiday seasons".

PROCUREMENT

Our suppliers primarily consist of (i) vendors of equipment and materials, and (ii) sub-contractors engaged by us, generally for the installation and construction of the projects commissioned by us. During the Track Record Period and up to the Latest Practicable Date, all of our suppliers were Independent Third Parties. Our suppliers generally do not grant a specific credit term to us. We usually pay our suppliers through wire transfer. For details, see "Financial Information – Trade Payables".

Procurement of Equipment and Materials

We generally procure (i) application-specific equipment, such as rotary kilns, secondary combustion chambers, waste heat boilers, acid removal devices and dust catchers for hazardous waste incineration systems, (ii) general-use equipment, such as pumps, blowers, cranes, hoists, waste heat recovery units and conveying equipment, and (iii) materials such as refractories and insulators for use on incineration equipment.

The application-specific equipment we source needs to be designed and manufactured on a tailor-made basis and are generally sourced in small volumes at a time in accordance with our requirements for each individual project. It usually takes around three to four months from our placing of purchase orders to delivery of such application-specific equipment by our vendors.

During the Track Record Period, our purchase of equipment and materials was denominated in Renminbi as all our vendors are located in China. Prices of our purchased equipment and materials had gradually increased during the Track Record Period. We did not enter into any hedging arrangements against exposure to such purchasing costs during the Track Record Period. We believe that, subject to general market conditions, we will likely be able to pass on part or all of any such costs increases, if any, to our customers. Our cost of equipment and materials accounted for 77.3%, 75.5%, 79.5% and 85.5% of our total cost of services for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

We enter into suppliers contracts for equipment which generally have a term of one year. The general terms of our suppliers contracts for equipment are summarised as follows:

- ***Supplier's responsibility.*** Our suppliers shall provide high-quality products which shall conform to our technical requirements and specifications. They shall also assign technical staff to our work site to provide product quality tests, system adjustment and technical support consulting during the commissioning stage.

- ***Our responsibility.*** We shall provide the proposed design and technical specifications of the application-specific equipment to our suppliers. We shall also provide necessary facilities, such as electricity and lighting facilities, to our suppliers for their testing, debugging, and repair and maintenance of the equipment at our work site.

- ***Testing, debugging and acceptance.*** The quality and technical parameters of the equipment shall be tested and quality certificates issued by our suppliers shall be provided to us upon the delivery of the products. When we received such products, the technical staff from both sides shall conduct the acceptance tests together. After the acceptance of the products, the technical staff from our suppliers will conduct debug of the equipment.

- ***Payment.*** We shall pre-pay the first instalment to our suppliers after the contract has been signed. Upon receipt of the invoice from our suppliers, we shall pay the second instalment so that the suppliers will deliver to us their products. After the expiry of the warranty period, we shall pay the remaining of the contract price to our suppliers.

- ***Warranty period and maintenance service.*** Our suppliers provide a warranty period of 12 months as at the date of our acceptance of the products. They provide repair and maintenance services free of charge during the warranty period as requested by us. During the warranty period, we will not enjoy the repair and maintenance services free of charge if the problems are not caused by our suppliers or the quality of the products. After the expiry of warranty period we will be charged for repair and maintenance of the products on a pre-negotiated basis with our suppliers.

- ***Liquidated damages.*** The defaulting party shall pay the other party an amount no more than 30% of the contract price for breach of contract.

- ***Contract termination.*** Our suppliers contracts can be terminated by mutual consent or upon breach of contract by either party.

Sub-contractors

We primarily engage sub-contractors, such as contract manufacturers, for the installation and construction of our projects. By outsourcing these services to the sub-contractors, we are able to reduce the relevant staff costs and risk exposures connected with providing such sub-contracted services, which allow us to focus our resources on our key business operations. We enter into construction or engineering service contracts with our sub-contractors generally for a term of up to 12 months.

During the Track Record Period, our procurement of sub-contracting services was denominated in Renminbi as all of our sub-contractors are located in China. The sub-contracting fees are determined by taking into account market conditions and prices and the average fees charged by our sub-contractors have generally remained stable during the Track Record Period. We believe that, subject to general market conditions, we will likely be able to pass on part or all of any increases in sub-contracting fees, to our customers. Our sub-contracting fees accounted for 19.4%, 18.5%, 15.5% and 10.4% of our total cost of services for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

Selection of Suppliers

Our suppliers are required to go through certain selection processes as required by our internal policies on the selection and management of suppliers. We only work with suppliers who we deem as "preferred suppliers". We take into account several factors in selecting our preferred suppliers, such as product or service quality and technology capabilities, price competitiveness, past performance and industry reputation, as well as any quality certifications or health, safety and environment qualifications. Suppliers must first pass an initial qualification assessment which usually includes sample testing of product quality and functionality, as well as on-site evaluation, before we add them to our list of preferred suppliers. After the initial assessment, each delivery of equipment by a supplier is subject to sample testing and the relevant services rendered are monitored and evaluated by us from time to time. Suppliers must continue to meet our stringent and on-going standards to remain on our preferred supplier list. We conduct annual review on our major suppliers based on their product or service quality, delivery performance and supply prices to evaluate their eligibility for the preferred supplier list.

To ensure sufficient back-up for suppliers in the event of shortages or delay, we generally do business with two to three vendors for each type of equipment or material and at least two sub-contractors for each type of outsourced work. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material lack of capacity, supply shortages, delays or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers.

Major Suppliers

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, purchase from our five largest suppliers for the Track Record Period, which were primarily contract manufacturers and equipment and materials vendors, amounted to RMB21.7 million, RMB27.5 million, RMB45.4 million and RMB47.1 million, respectively, accounting for 45.1%, 45.7%, 35.7% and 34.1% of our cost of services, respectively, and purchase from our largest suppliers for the Track Record Period, which were two contract manufacturers and two equipment vendors, amounted to RMB7.6 million, RMB9.4 million, RMB11.6 million and RMB16.8 million, respectively, accounting for 15.7%, 15.7%, 9.1% and 12.1% of our cost of services, respectively. We have established on-going business relationships and co-operations with our five largest suppliers during the Track Record Period for approximately five years on average. We do not have any long-term or exclusive agreement with our five largest suppliers for the Track Record Period.

As at the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest suppliers for the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their close associates or any Shareholder which, to the knowledge of our Directors, owns more than 5% of the number of issued shares of the Company, had any interest in any of our five largest suppliers during the Track Record Period.

INVENTORY CONTROL

Since the equipment and materials used for our solid waste treatment projects are tailor-made, we generally place procurement orders in accordance with the specific project design. Such equipment and materials procured generally will not be kept in-house and will be delivered to our customers' sites directly for further installation and integration. Our inventory comprise spare parts and other materials that were mainly used for provision of technical upgrading and maintenance services and we maintain a low level of such inventories.

QUALITY CONTROL

We have received ISO9001: 2015 certification, which is valid till October 2021 and subject to renewal. We also have a dedicated quality control staff responsible for carrying out the quality control procedures based on the ISO9001 standards. We emphasise stringent quality control standards over our services. We have implemented extensive quality control measures at every major stage of our operational process, from the design of solutions to the final installation and integration of the solid waste treatment systems, as well as the procurement process and any after-sales activities. All of our suppliers must undergo various inspections including site visits and evaluation, as well as sample testing, before we approve them for use. This ensures that the equipment and services we procure will meet the standards and quality requirements set by us and our customers. We perform inspections on the equipment after they are delivered by the suppliers to our project site before installation. Any sub-quality products identified during our inspections are returned to our suppliers. We also have quality control personnel conducting standard quality control procedures and monitoring the production of the relevant application-specific equipment at our vendors' production facilities.

INTERNAL CONTROLS AND RISK MANAGEMENT

In preparation for the [**REDACTED**], we had engaged in October 2017 an independent internal control adviser to perform an internal control review (the "IC Review") of our internal control system based on agreed scope covering areas such as corporate governance, risk assessment, financial systems, project management and taxation. During the course of the IC Review, the internal control adviser identified a number of findings in relation to our internal control policies and procedures mainly with respect to internal control monitoring and regulatory compliance policies and systems pursuant to which we have taken the internal control enhancement measures recommended by the internal control adviser. The internal control adviser performed a follow-up review on the enhancement measures taken by us in response to the findings and enhancement recommendations from the internal control adviser. After considering the implementation of the enhancement measures and the result of such follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

We utilise an integrated risk management system to minimise and protect against a range of strategic, business, financial and legal risks. Through our risk management system, we seek to manage and reduce risks, encourage effective and reliable communication, maintain legal compliance and improve the efficiency of our business and management.

Our risk management system is implemented on three levels. Its implementation starts with the manager of each department who is responsible for organising the daily work in accordance with the relevant policies. The second level involves the active role of the internal audit department which centralises our risk management policies and supervises the individual departments through periodic audits. The head of the internal audit department has approximately seven years of experience in auditing and received a bachelor's degree in financing. Finally, the highest level involves decision-making by the board of directors regarding certain risk management decisions. The relevant personnel at these three levels are in frequent communication in order to ensure accurate information is shared between all parties.

In order to formulate and implement effective policies, our risk management system emphasises continuous information gathering. Our risk management system collects data on a variety of business, financial and legal risks such as market demand, technological trends and innovations, comparisons with our competitors, our financial performance and results of operation, costs of services, changes in intellectual property law, company laws and possible legal disputes.

The information gathered is used for risk assessment. Our risk assessment procedures take into account our Company's overall risk philosophy and seek to accurately evaluate how a potential risk may affect our objective in the strategic, business, compliance and financial reporting areas. We seek to identify both internal risks, such as employee ethics, our financial condition or product quality, as well as external risks, such as economic and legal developments, technology advances and environmental factors. Identified risks are assessed on

the basis of likelihood of occurrence and the degree of influence it may have on our business. Risks with a high probability of occurring are more closely examined in order to ensure accurate results. We then determine what countermeasures should be implemented in order to avoid, absorb or reduce such risks and any negative consequences.

COMPETITION

Due to the technological and experience barriers, solution providers for centralised hazardous waste incineration are competing in a relatively concentrated market in China with a few major players who are generally domestic companies.

For the centralised hazardous waste incineration market in China, the top five solution providers in aggregate account for the predominant market share. Our major competitors for the centralised hazardous waste incineration are generally either specialised solution providers for centralised hazardous incineration operators or technological environmental companies that engaged in the technological design, equipment supply and system integration in China. We compete with those competitors mainly in terms of technical parameters, such as system stability and flexibility, business relationships with operators, as well as price competitiveness and customer services.

As for the applications of other solid waste treatment technologies, market players are still in the process of developing and commissioning viable and effective solutions. We are competing to commercialise these technologies sooner than other market players, and have been engaged in several research and/or pilot projects which are expected to be commercially launched in the near to medium term.

PROPERTY

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as our office premises.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our Group's interests in land or buildings, for the reason that, as at 30 June 2018, none of the properties interests has a carrying amount of 15% or more of our consolidated total assets. Pursuant to Chapter 5 of the Listing Rules, this document is not required to include valuations of our properties.

As at the Latest Practicable Date, we did not own any property.

As at the Latest Practicable Date, we leased four properties as offices in the PRC from Independent Third Parties with a total GFA of 2,634.8 sq.m. for three offices in Guangzhou, Shenzhen and Suzhou, and the area of the fourth one in Ürümqi is not stipulated in the lease agreement. We also leased a property in Hong Kong as office, whose area is not stipulated in the lease agreement. The leasing terms ranged from one to five years. None of these properties is individually material to our operations.

Title certificates have been duly obtained by the landlord for these four leased properties in the PRC, of which only the leased property in Guangzhou has completed the filing and registration formalities for the lease agreements with the relevant PRC authorities. For the remaining three leased properties in Shenzhen, Suzhou, and Ürümqi, the relevant lease agreements were not registered with the relevant PRC authorities. According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), we may be subject to an administrative penalty ranging from RMB1,000 to RMB10,000 for each of the failure to register the three relevant lease agreements within a prescribed time period. As advised by our PRC Legal Advisers, despite the leases not having been registered with the relevant government authorities, they remain valid and legal under the current PRC laws and regulations, according to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》). As at the Latest Practicable Date, we had not been subject to any administrative penalty for the failure to file and register the three lease agreements.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 200 employees all of whom were full-time employees. The table below sets out the breakdown of our employees by function as at the Latest Practicable Date:

Function	**Number of employees**
Technical personnel	66
Procurement	11
Project management and execution	85
Management and project development	17
Administration and finance	21
Total	200

We have entered into employment agreements with all of our full time employees. Our senior management and technical employees have also signed non-competition, non-solicitation and confidentiality agreements with us.

Our success depends on our ability to attract, retain and motivate qualified personnel. We have generally been able to attract and retain qualified personnel and maintain a stable core management team. We are dedicated to the training and development of our employees. We leverage our resources to ensure that each employee maintains an up-to-date skill-set through continuous training. We provide introductory training and orientation for all new employees, as well as on-the-job training to continually improve our employees' technical, professional and management skills.

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labour disputes or disputes with the labour department of the PRC government since our incorporation.

Social Insurance and Housing Provident Fund Contributions

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees including migrant workers from rural areas are required to participate in, a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund. For more information, see "Regulatory Overview – Employment Laws".

Non-compliances with respect to social insurance and housing provident fund contributions

During the Track Record Period, certain of our subsidiaries did not make timely registrations for social insurance and housing provident funds and/or to fully make such contributions in accordance with actual staff salaries. We estimated the outstanding amount of housing provident fund and social insurance contributions during the Track Record Period was approximately RMB0.7 million and RMB2.2 million, respectively. We did not make full contributions of such amounts nor did we make any provisions thereto during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint from our employees for insufficient contributions by us to any social insurance or housing provident fund nor had we received any order or notice from the regulatory authorities requesting contributions to any social insurance or housing provident fund. We have obtained written confirmations from the competent local authorities of social insurance and housing provident funds which state that no administrative penalties were imposed on us with respect to social insurance and housing provident funds during the Track Record Period. As such, and based on the interviews conducted by us with the competent local authority of social insurance and by our PRC Legal Advisers with the competent local authority of housing provident fund, our PRC Legal Advisers are of the view that the likelihood is remote for the relevant local authorities to demand payment from, or impose any administrative penalties on, us for any non-compliance with respect to social insurance and housing provident funds. As confirmed by our Directors, we had complied with relevant PRC laws and regulations and made full contributions for social insurance and housing provident funds on a timely manner for our PRC subsidiaries since July 2018.

Occupational Health and Work Safety

We have received OHSAS18001:2007 certification, which is valid till October 2021 and subject to renewal. We are subject to various laws, administrative regulations, national standards and industrial standards in the PRC which stipulate the requirements to maintain safe working conditions and to protect the occupational health of employees.

We have implemented safety measures on both our in-house operation and project sites to ensure compliance with applicable regulatory requirements and to minimise the risk of injury of employees. We also conduct periodic inspections to ensure that our operations are in compliance with existing laws and regulations and are safe for our employees. Furthermore, we require new employees to receive work safety training pursuant to our internal safety policy.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any severe accidents during our course of business, nor had we been subject to any fines, penalties or other legal actions by government authorities in the PRC resulting from any non-compliance with all applicable laws and regulations in PRC in relation to occupational safety and health matters and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC government authorities in respect thereof.

ENVIRONMENTAL PROTECTION

We have received ISO14001: 2015 environmental management system certification, which is valid till October 2021 and subject to renewal. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or warning in relation to pollution in respect of our operation, nor had we been subject to any fines, penalties or other legal actions by government authorities in the PRC resulting from any non-compliance with any environmental protection laws or regulations in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government authorities in respect thereof.

INSURANCE

We maintain certain insurance coverage on personal accidents for some of our employees, as well as motor vehicle insurance. We do not maintain any fire, liability or other property insurance covering our properties, equipment or inventories, and we do not carry any business interruption or product liability insurance or any third party liability insurance to cover claims in respect of personal injuries or any damages arising from accidents on our properties or in relation to our operations. Our Directors believe that our insurance coverage is in line with what is usual and common practice in our industries in the PRC. See "Risk Factors – Risks Relating to Our Business and Industry – Our insurance may not completely cover the risks related to our business".

During the Track Record Period and up to the Latest Practicable Date, we have not had any material claims or liabilities arising from any accidents relating to our operations or properties, nor did we experience any material property loss, damage, business interruptions or product liability incidents. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to us.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of our business such as proceedings in respect of disputes with suppliers or customers, labour disputes or infringement of intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, there were no material legal proceedings, regulatory inquiries or investigations made or pending or threatened against us.

REGULATORY COMPLIANCE

As advised by our PRC Legal Advisers, we have obtained all requisite licences, approvals and permits from the relevant government authorities that are material for our business operations in the PRC and we had been in compliance in all material respects with the applicable PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date. We had not been subject to significant fines or legal action involving non-compliance with any PRC laws or regulations relating to our business during the Track Record Period and up to the Latest Practicable Date.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and options which were granted under the [**REDACTED**] Share Option Scheme), our Company will be owned as to approximately [**REDACTED**]% by WeiGang Technology. WeiGang Technology is wholly owned by Weigang Green which is in turn wholly owned by Mr. Cai. As WeiGang Technology, Weigang Green and Mr. Cai are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately upon completion of the [**REDACTED**], each of them will be regarded as a Controlling Shareholder under the Listing Rules. To the best of the knowledge, information and belief of our Directors, none of our Controlling Shareholders is interested in any listed company as at the Latest Practicable Date.

COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors confirm that they do not have any interest in any business, apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

BUSINESS DELINEATION

Apart from our Group's business, as at the Latest Practicable Date: (i) Mr. Cai and his wife, Ms. Huang, hold 100% equity interest in and are the only two directors of 廣州聖匯機電設備有限公司 (Guangzhou Shenghui Electrical and Mechanical Equipment Limited*) ("**Guangzhou Shenghui**") which has ceased to operate any business and thus is unlikely to compete with our Group; and (ii) Mr. Cai holds 10% equity interest in 克拉瑪依沃森環保科技有限公司 (Karamay Wosen Environmental Protection Technology Limited*) ("**Karamay Wosen**"), a hazardous waste incineration facility operator. Mr. Cai does not hold any directorship in Karamay Wosen. To the best of the knowledge, information and belief of our Directors, Karamay Wosen is a downstream operator and end-user of hazardous waste incineration facility, whereas our Group is a midstream solution provider for hazardous waste incineration, and thus the business nature of Karamay Wosen is clearly distinct and different from that of our Group's business. Moreover, Mr. Cai, being a passive investor, does not hold any managerial roles in Karamay Wosen, nor is he involved in the day-to-day operation of Karamay Wosen. In view of the above, our Directors are of the view that Karamay Wosen is unlikely to compete, either directly or indirectly, with our Group's business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that we are capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) for the following reasons:

Financial Independence

We have an independent financial system and make financial decisions according to our business needs. We have sufficient capital to operate our business independently, and has adequate internal resources to support our day-to-day operations.

During the Track Record Period and up to the Latest Practicable Date, we had relied principally on cash generated from operations to finance our business. Upon completion of the [**REDACTED**], we expect that our future operations will be financed mainly by the internally generated funds and the [**REDACTED**] of the [**REDACTED**].

During the Track Record Period, we obtained and made drawdown on a bank borrowing of RMB10.0 million, which was secured by the personal guarantees of Mr. Cai and his wife, Ms. Huang. Please refer to the subsection headed "Financial Information – Indebtedness" and Note 28 to the Accountants' Report set out in Appendix I to this document for further details. Such personal guarantees are expected to be released upon repayment of such bank borrowing in March 2019. As early release of such guarantees would entitle the relevant lender to claim penalties from our Group, our Directors believe that it will not be in the best interest of our Group and our Shareholders as a whole to seek for the premature release of such guarantees. During the Track Record Period, we had amounts due to Mr. Cai and Ms. Huang. The outstanding amounts due to them were approximately RMB1.9 million, RMB4.0 million, RMB84.3 million and nil as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. Please refer to the subsection headed "Financial Information – Indebtedness" and Note 26 to the Accountants' Report included in Appendix I to this document for further details. Our Directors have confirmed that all of the outstanding amounts due to Mr. Cai and Ms. Huang have been settled before the [**REDACTED**]. Our Directors have further confirmed that there is no present intention to seek further financial assistance, security and/or guarantee from any of our Controlling Shareholders in favour of our Group after the [**REDACTED**] and our Directors believe that, if necessary, we are capable of independently obtaining financing from external sources without any reliance on our Controlling Shareholders or their respective close associates.

During the Track Record Period, we also obtained an advance from another commercial bank in China in 2017 amounting to RMB1.0 million on discounted note receivables with recourse which had been fully settled at 31 March 2018. Please refer to the subsection headed "Financial Information – Indebtedness" for further details.

Taking into consideration that (i) during the Track Record Period, we had a record of obtaining external financing without any credit support from our Controlling Shareholdings or their respective close associates as disclosed above; (ii) our Group had a strong liquidity position during the Track Record Period given that we had cash and cash equivalents of approximately RMB12.2 million, RMB8.1 million, RMB68.9 million and RMB50.7 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, and our Directors are of the view that our Group has sufficient cash to repay the bank borrowing of RMB10.0 million and will be able to release the personal guarantees provided by Mr. Cai and his wife, if required, and such repayment will not have any material adverse impact on our Group's working capital sufficiency and expansion plan; (iii) during the Track Record Period, we mainly relied on cash generated from our operations to finance our business; (iv) the personal guarantees provided Mr. Cai and Ms. Huang are expected to be released in March 2019 and we do not intend to seek any further finance assistance from our Controlling Shareholders and/or their respective close associates after [**REDACTED**]; (v) as at 31 May 2018, all of the outstanding amounts due to Mr. Cai and Ms. Huang have been settled and (vi) having taken into

account the financial resources presently available to us, the fact that we have sufficient working capital for our financial needs for at least the next 12 months without relying on the support of our Controlling Shareholders and/or their respective close associates, our Directors believe that we will have sufficient capital for our financial needs without dependence on our Controlling Shareholders and their respective close associates.

Taking into account the above factors, we believe that we are financially independent from our Controlling Shareholders and their respective close associates.

Operational Independence

We have established our own organisational structure made up of individual departments, each with specific areas of responsibilities. Research and development, project management and execution, management and project development, procurement, and administrative and finance functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment, technologies and employees to operate our businesses independently of our Controlling Shareholders and their respective close associates. We have also established a set of internal controls to facilitate the effective operation of our business.

Having considered the above and that (a) we have independent access to suppliers and customers; and (b) we have maintained all relevant licences necessary to carry on and operate our business, our Directors consider that there is no operational dependence by our Group on our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors.

Although Mr. Cai is one of our executive Directors, each of our Directors (including Mr. Cai) is aware of his fiduciary duties as a Director which require, among other things, that he acts for the best interest of our Group and not to allow any conflict between his duties as a Director and his personal interest. All of our executive Directors have served our Group for a considerable period of time and have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. In addition, all of our three independent non-executive Directors are well-educated with extensive experience in different areas and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of the independent and impartial opinions of these Directors. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director enjoys any decision-making power unless otherwise authorised by our Board. Moreover, save for Ms. Huang who is Mr. Cai's wife and a member of our senior management, we have an independent senior management team which carries out the business decisions of our Group independently

of our Controlling Shareholders. The balance of power and authority within our Group is ensured by the operation of the senior management and our Board. Please refer to the section headed "Directors and Senior Management" for the background of our Directors and our senior management team.

Furthermore, our Group has adopted certain corporate governance measures for resolving conflicts in order to safeguard the interests of our Shareholders as a whole, the details of which are set out in the paragraph headed "– Corporate Governance" below.

Taking into consideration the factors set out above, we believe our Directors and senior management will be able to perform their roles independently and we are capable of managing our Group's business independently of our Controlling Shareholders and their respective close associates after the [**REDACTED**].

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries), under which each of our Controlling Shareholders has jointly and severally, undertaken to our Company that he/it shall not, and shall procure that none of his/its close associates (other than members of our Group) shall, during the Restricted Period (as defined below), directly or indirectly, either on his/its own account, in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested, engaged or acquire or hold any rights or interests or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group, including but not limited to (a) the provision of solid waste treatment solutions through the research, design, integration and commissioning of solid waste treatment systems, including (i) hazardous waste incineration system; (ii) thermal desorption of oil sludge; (iii) treatment of solid waste utilising the pyrolysis technology; and (iv) cement plant parallel kiln co-treatment solutions; and (b) the operation of solid waste treatment systems in China and any other country or jurisdiction (the "**Restricted Business**").

The Deed of Non-competition does not prohibit our Controlling Shareholders and/or their respective close associates from directly or indirectly (a) holding of shares or other securities issued by our Company or any member of our Group from time to time; and (b) holding shares of any company (the shares of which are [**REDACTED**] on the Stock Exchange or any other recognised stock exchange) which is engaged in the Restricted Business, provided that our Controlling Shareholders and/or their respective close associates (i) collectively hold less than 5% of the total issued share capital of such company; and (ii) individually or jointly, do not have any right to appoint 10% or more of the members of the board of directors of that company.

The "**Restricted Period**" stated in the Non-competition Deed refers to the period commencing from the [**REDACTED**] and expiring on the earlier of:

(a) the day on which our Shares cease to be [**REDACTED**] on the Stock Exchange;

(b) the day on which our Controlling Shareholders and their respective close associates (other than members of our Group), individually or jointly, cease to be entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company or cease to be deemed as a Controlling Shareholder; or

(c) any of our Controlling Shareholders or their respective close associates (other than a member of our Group) cease to be served as director of any member of our Group.

Each of our Controlling Shareholders has further undertaken to procure that, subject to the compliance with the applicable law, during the Restricted Period, if any opportunity to carry on, invest, participate, engage, acquire, hold or operate the Restricted Business (the "**New Opportunity**") is identified by or offered to our Controlling Shareholders and/or any of their respective close associates (other than members of our Group), our Controlling Shareholders are required to, and shall procure their respective close associates (other than members of our Group) to:

(a) within 10 Business Days after they become aware of any New Opportunity, give written notice to our Company of the New Opportunity containing all information reasonably necessary for our Company to consider whether (i) the New Opportunity would constitute competition with our business and/or any other new business which our Group may undertake at the relevant time; and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and

(b) use their best endeavours to procure that the New Opportunity is offered to our Company (or our designated subsidiary) on such terms no less favourable than the terms on which such New Opportunity is offered to our Controlling Shareholders and/or any of their respective close associates.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of our independent non-executive Directors as to whether (a) such New Opportunity would constitute competition with our business; (b) it is in the interest of our Company and our Shareholders as a whole to take up the New Opportunity; and (c) to take up or decline the New Opportunity.

Our Controlling Shareholders and/or any of their respective close associate (other than members of our Group) will be entitled, but not obliged, to pursue the New Opportunity only if (i) they have received a written notice from our Company declining the New Opportunity; or (ii) they have not received any response from our Company within 30 Business Days from

our Company's receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity, our Controlling Shareholders shall, and shall procure their respective close associates to, notify the New Opportunity as so revised to our Group in the manner as set out above. In that case, the period of 30 Business Days as mentioned above shall be re-calculated from the date of receipt of the revised Offer Notice by our Company.

With a view to avoiding competition of businesses between our Group and our Controlling Shareholders, our independent non-executive Directors will, at least on an annual basis, review the compliance with and enforcement of the Deed of Non-competition by our Controlling Shareholders and the results of such review will be included in our annual report.

Each of our Controlling Shareholders has further undertaken to:

(a) provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the Deed of Non-competition;

(b) subject to confidentiality restrictions imposed by any third party and with prior notice, allow, or procure his/its close associates to allow the representatives, the auditors and/or the compliance advisers of our Company to, during the normal business hours, have access to his/its business, financial and/or corporate records as may be necessary for our independent non-executive Directors to determine whether our Controlling Shareholders and/or their respective close associates (other than members of our Group) have complied with the terms of the Deed of Non-competition;

(c) make an annual declaration in our annual report on compliance with and enforcement of the Deed of Non-competition in accordance with the Listing Rules and authorise our Company to make relevant disclosure in our annual reports; and

(d) address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time.

Our Controlling Shareholders, for themselves and on behalf of their respective close associates (other than members of our Group), have also acknowledged that our Company may be required by the Listing Rules or relevant laws, rules and regulations to disclose, from time to time, information on the New Opportunity, including but not limited to, disclosure in our Company's annual reports or announcements the decision made by our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline, and our Controlling Shareholders have agreed to the disclosure to the extent necessary to comply with any such requirement and to provide all necessary information in this regard. Our Controlling Shareholders have further agreed to do all such acts to facilitate our Company to comply with the legal or regulatory requirements in connection with the Deed of Non-competition.

Each of our Controlling Shareholders has undertaken that he/it will not, and will procure his/its close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any customer, supplier or management, technical staff or employee (of managerial grade or more) of any member of our Group or any person, legal entity, enterprise or otherwise, has been in the process of negotiation with our Group with a view to conducting business with our Group in relation to the Restricted Business, or a customer, supplier, or management, technical staff or employee (of managerial grade or above) of any member in our Group in the previous 12 months.

Each of our Controlling Shareholders has further undertaken that he/it will not, and will procure his/its close associates not to, exploit his/its knowledge or information pertaining to our business obtained from our Group to compete, directly or indirectly, with the Restricted Business.

CORPORATE GOVERNANCE

The Deed of Non-competition provides that our Controlling Shareholders and their respective close associates (other than members of our Group) shall not compete with our Group. Our Directors consider that we have adequate corporate governance measures in place to resolve any actual and potential conflict of interest. To further avoid potential conflict of interest, we have implemented the following measures:

(a) our Company has adopted the Articles which provide that a Director shall not vote on (nor shall be counted in the quorum) any resolution of our Directors in respect of any contract or arrangement or other proposal in which he or his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted (nor is he be counted in the quorum for that resolution);

(b) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with, and enforcement of, the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to take up the New Opportunity;

(c) our Controlling Shareholders will, as stipulated under the Deed of Non-competition, provide all relevant information for the annual review by our independent non-executive Directors for compliance with, and enforcement of, the Deed of Non-competition;

(d) our Company will disclose, from time to time, information on the New Opportunity, including but not limited to disclosing through our annual reports or announcements the decision of our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline;

(e) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgement. Background of our independent non-executive Directors is set out in the subsection headed "Directors and Senior Management – Directors"; and

(f) we have appointed Altus Capital Limited as our compliance advisers, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to directors' duties and corporate governance.

OVERVIEW

Our Group entered into the Jiangsu Suquan Contract (as defined below) with Jiangsu Suquan Solid Waste Treatment Limited* (江蘇蘇全固體廢物處理有限公司) ("**Jiangsu Suquan**") The transaction contemplated under the Jiangsu Suquan Contract was on-going as at the Latest Practicable Date. Jiangsu Suquan is an associate of Mr. Ren in view of their relationship as set forth below and thus, it will become a connected person of our Company upon [**REDACTED**]. Given the Jiangsu Suquan Contract was entered into prior to the [**REDACTED**] and the transaction contemplated thereunder is one-off in nature, such transaction will not be classified as a notifiable transaction under Chapter 14 of the Listing Rules or connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

JIANGSU SUQUAN CONTRACT

Parties, Date and Nature of the Transactions

We have entered into a project contract with Jiangsu Suquan ("**Jiangsu Suquan Contract**") for the design, equipment procurement and installation and testing of hazardous waste incineration facilities for the Jiangsu Nanjing hazardous waste incineration project (江蘇南京危險廢物焚燒處置項目). The Jiangsu Suquan Contract was entered into between Guangzhou Weigang, an indirectly wholly owned subsidiary of our Company, and Jiangsu Suquan on 25 June 2018. The construction work for the project is required to be completed within 248 days (subject to adjustment for suspension of work during Chinese Spring Festival and cold weather) after signing of the Jiangsu Suquan Contract and receipt of an advance payment for 10% of the Contract Sum (as defined below) to be paid by Jiangsu Suquan. The project system functionality evaluation is expected to be completed in the second half of 2019. For further details on the Jiangsu Nanjing hazardous waste incineration project (江蘇南京危險廢物焚燒處置項目) as contemplated under the Jiangsu Suquan Contract, please refer to the subsection headed "Business – Solid Waste Treatment Projects".

Consideration

Under the Jiangsu Suquan Contract, the aggregate tax-inclusive consideration for our services is RMB43,420,000 (the "**Contract Sum**"), which is to be satisfied in cash by progress payments. Upon receipt of an acceptance confirmation from Jiangsu Suquan after the completion of the project system functionality evaluation, our Group will be entitled to receive 92% of the Contract Sum. The remaining 8% will be retained for a 12-month warranty period during which we will provide after-sales services, including repair and maintenance services and technical support. Within 30 days after the expiration of the warranty period, Jiangsu Suquan shall pay the remaining 8% of the Contract Sum to us. The Contract Sum is determined after arm's length negotiation with reference to comparable charges paid by our other customers who are Independent Third Parties.

We had no previous transactions of similar kind with Jiangsu Suquan.

Reasons and Benefits of Entering into the Jiangsu Suquan Contract

Our Directors consider that the transactions contemplated under the Jiangsu Suquan Contract are within the ordinary and usual course of business of our Group. The transactions are expected to generate an additional source of revenue which will be beneficial to our Group and our Shareholders as a whole. Also, entering into the Jiangsu Suquan Contract is in line with our customer and revenue diversification strategy. For details on our strategies on customer diversification, please refer to the subsection headed "Business – Customer Diversification". Taking the above into account, our Directors (including the independent non-executive Directors) consider it to be beneficial to our Company to continue to conduct the transactions under the Jiangsu Suquan Contract following the [**REDACTED**].

Relationship with Jiangsu Suquan

Mr. Ren is a substantial shareholder of our Company and thus a connected person of our Company. Mr. Ren Yudong (任煜冬) is a brother of Mr. Ren and hence, he is an associate of Mr. Ren and will become a connected person of our Company upon [**REDACTED**].

Jiangsu Jieao Fund Management Limited* (江蘇杰翱基金管理有限公司) ("**Jiangsu Jieao**") is a company established in the PRC with limited liability on 16 January 2015. It is owned as to 80% by Mr. Ren Yudong and 20% by J.R. Capital Asset Management (Shenzhen) Company Limited* (深圳市傑翱基金管理有限公司) ("**Shenzhen Jieao Co.**"). Shenzhen Jieao Co. is in turn directly owned as to 99% by Mr. Ren Yudong. In view of Mr. Ren Yudong's direct interest in Jiangsu Jieao and his indirect interest in Jiangsu Jieao through Shenzhen Jieao Co., Jiangsu Jieao is a majority-controlled company held by Mr. Ren Yudong under Chapter 14A of the Listing Rules. Thus, Jiangsu Jieao is an associate of Mr. Ren Yundong and will become a connected person of our Company upon [**REDACTED**].

Shenzhen Jieao Environmental Technology Partnership (Limited Partnership)* (深圳杰翱環保科技合夥企業(有限合夥)) ("**Shenzhen Jieao LP**") is a limited partnership established in the PRC on 30 March 2015. It is owned as to 70% by an Independent Third Party, 0.992% by Jiangsu Jieao and 29.008% by Mr. Ren Yudong, each being a limited partner. Jiangsu Jieao is also the general partner of Shenzhen Jieao LP and has the sole power to manage the business of Shenzhen Jieao LP. In view of Jiangsu Jieao's influence over Shenzhen Jieao LP as its general partner, Shenzhen Jieao LP is considered a subsidiary undertaking of Jiangsu Jieao. Therefore, Shenzhen Jieao LP is a subsidiary of Jiangsu Jieao within the meaning of the Listing Rules and thus an associate of Jiangsu Jieao and will become a connected person of our Company upon [**REDACTED**].

Jiangsu Suquan is a company established in the PRC with limited liability on 24 April 2015. It is owned as to 69% by Shenzhen Jieao LP. Accordingly, Jiangsu Suquan is also an associate of Shenzhen Jieao LP and hence will become a connected person of our Company under the Listing Rules upon [**REDACTED**].

To the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, the principal business of Jiangsu Suquan is solid waste treatment.

Listing Rules Implication

The transaction contemplated under the Jiangsu Suquan Contract was on-going as at the Latest Practicable Date and Jiangsu Suquan will become a connected person of our Company upon [**REDACTED**]. Nevertheless, given the Jiangsu Suquan Contract was entered into prior to the [**REDACTED**] and the transaction contemplated thereunder is one-off in nature, such transaction will not be classified as a notifiable transaction under Chapter 14 of the Listing Rules or connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules, and will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. In the event that there is any material change to the terms and conditions of the Jiangsu Suquan Contract (including any change to the Contract Sum), we will comply with Chapters 14 and 14A of the Listing Rules (as the case may be) as and when appropriate, including, where required, seeking independent shareholders' approval prior to effecting such change. If we enter into further transaction with Jiangsu Suquan after the [**REDACTED**], we will also comply with Chapters 14 and 14A of the Listing Rules (as the case may be) as and when appropriate.

DIRECTORS' VIEW

Our Directors (including our independent non-executive Directors) are of the view that (i) the transactions contemplated under the Jiangsu Suquan Contract have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the Contract Sum is fair and reasonable and in the interests of our Company and our Shareholders as a whole.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in Notes 11, 26 and 28 to the Accountants' Report in Appendix I to this document.

DIRECTORS

Our Board consists of three executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets out certain information in respect of our Directors:

Name	Age	Date of joining our Group	Position in our Company	Date of appointment as Director	Key role/ responsibility	Relationship with other Directors, our senior management and our substantial Shareholders
Mr. Cai Zhuhua (蔡珠華)	55	15 July 2009	Executive Director, the chairman of the Board, the chief executive officer and the chairman of the nomination committee of our Company	18 May 2017	Responsible for the management of our Board and the overall management, strategic planning and business development of our Group	The spouse of Ms. Huang, a member of our senior management
Mr. Dong Honghui (董紅暉)	47	15 July 2009	Executive Director and a member of the remuneration committee of our Company	27 April 2018	Responsible for our Group's daily operation	Nil
Mr. Deng Zhaoshan (鄧兆善)	52	15 July 2009	Executive Director	27 April 2018	Responsible for project management, technical supervision and research and development for our Group's business	Nil
Mr. Ren Jingfeng (任景豐)	76	27 April 2018	Non-executive Director	27 April 2018	Supervising and providing advice on engineering technology to the Board	Father of Mr. Ren, a substantial Shareholder
Mr. Yang Zhiqiang (楊志強)	58	8 November 2018	Non-executive Director	8 November 2018	Supervising and providing advice on legal compliance and corporate governance to the Board	Nil
Mr. Yang Zhifeng (楊志峰)	55	[**REDACTED**]	Independent non-executive Director and a member of the audit committee of our Company	[**REDACTED**]	Supervising and providing independent judgement to the Board	Nil

Name	Age	Date of joining our Group	Position in our Company	Date of appointment as Director	Key role/ responsibility	Relationship with other Directors, our senior management and our substantial Shareholders
Mr. Feng Tao (馮濤)	44	[REDACTED]	Independent non-executive Director, the chairman of the audit committee and the remuneration committee and a member of the nomination committee of our Company	[REDACTED]	Supervising and providing independent judgement to the Board	Nil
Mr. Jiang Guoliang (蔣國良)	42	[REDACTED]	Independent non-executive Director and a member of the audit committee, the remuneration committee and the nomination committee of our Company	[REDACTED]	Supervising and providing independent judgment to the Board	Nil

Executive Directors

Mr. Cai Zhuhua (蔡珠華), aged 55, is an executive Director and the chairman of our Board. Mr. Cai was appointed as a Director on 18 May 2017 and re-designated as an executive Director on 27 April 2018. Mr. Cai is responsible for the management of the Board and the overall management, strategic planning and business development of our Group. Mr. Cai is the spouse of Ms. Huang, who is a member of our senior management. Mr. Cai is also the chairman of the nomination committee of the Board.

Mr. Cai has over 20 years' experience in providing solid waste treatment solutions and in particular for hazardous waste incineration. From 1984 to 1996, Mr. Cai served as an engineer of Guangzhou Guangzhong Enterprise Group Corporation* (廣州廣重企業集團有限公司) (formerly known as Guangzhou Heavy Machinery Plant* (廣州重型機器廠)), a heavy machinery manufacturer. From 1997 to 2014, Mr. Cai was the general manager and a director of Guangzhou Haizhu District Kangda Technology Development Co., Ltd.* (廣州市海珠區康達科技發展有限公司) ("**Guangzhou Kangda**"), which was engaged in the design and installation of general equipment and the manufacturing of electronic products. His entrepreneurship in the solid waste treatment industry began in August 1998 when he established Guangzhou Weigang E&ME with Ms. Hu Huilian, his mother-in-law, to provide maintenance and advancement services for environmental protection facilities. In July 2009, Mr. Cai established Guangzhou Weigang with Ms. Huang to provide solid waste treatment solutions.

Mr. Cai was awarded a bachelor's degree in welding engineering by South China University of Technology* (華南理工大學) (then known as South China Engineering College* (華南工學院)) in the PRC in July 1984. Mr. Cai was certified as an engineer by Guangzhou Science and Technology Committee* (廣州市科學技術委員會) in March 1993.

Mr. Cai is a director of each of WeiGang Environment, Jade Far, Weigang Holdings (Hong Kong), Jade Road, Guangzhou Weigang, Shenzhen Xinnengji and Xinjiang Wosen, and the chairman of the board of directors of Guangzhou Weigang.

Mr. Cai was a director of each of (i) Guangzhou Weigang E&ME, which had ceased its business after the establishment of Guangzhou Weigang; and (ii) Yunfu Yishida Waste Heat Power Generation Co., Ltd.* (雲浮市易世達餘熱發電有限公司), a company incorporated in the PRC, whose principal business was the provision of project management service for a waste heat power generation project. Both companies were dissolved by way of members' resolution on 22 December 2012 and 18 January 2018, respectively. He was also a director of Guangzhou Kangda, which was deregistered in May 2014 with approval from the Zhuhai branch of Guangzhou Municipal Administration for Industry and Commerce* (廣州市工商行政管理局海珠分局). Mr. Cai confirmed that such companies were solvent at the time of their respective dissolutions and that there was no misconduct or misfeasance on his part as a director of such companies that had led to their respective dissolutions, nor is he aware of any actual or potential claim that has been or will be made against him as a result of their dissolutions.

Mr. Cai is also the sole director of WeiGang Technology and Weigang Green, each being a Controlling Shareholder.

Mr. Dong Honghui (董紅暉), aged 47, is an executive Director. Mr. Dong was appointed as an executive Director on 27 April 2018. Mr. Dong is responsible for the daily operation of our Group.

Mr. Dong has over 13 years' experience in providing solid waste treatment solutions. From January 1994 to November 2005, Mr. Dong worked in Guangzhou Guangzhong Enterprise Group Corporation* (廣州廣重企業集團有限公司) (formerly known as Guangzhou Heavy Machinery Plant* (廣州重型機器廠)), a heavy machinery manufacturer, where he served various positions, including as director of the pressure vessel production workshop, head of the technology department of the pressure vessel branch, deputy head of production process department and deputy director of the second department of the pressure vessel operation, and was responsible for the management of the production workshop, design of pressure vessels and technical affairs of the operation department. From December 2005 to June 2009, Mr. Dong was employed by Guangzhou Weigang E&ME first as a manager of engineering department and was later promoted to be the vice general manager. In July 2009, Mr. Dong joined our Group and has been the general manager of Guangzhou Weigang since then.

Mr. Dong obtained a bachelor's degree in material science and engineering from Northwestern Polytechnical University* (西北工業大學) in China in July 1993. Mr. Dong was certified as a mechanical engineer by Guangzhou Personnel Bureau* (廣州市人事局) in January 2003.

Mr. Dong is also a director of each of Guangzhou Weigang and Guangdong Lvhuan.

Mr. Deng Zhaoshan (鄧兆善), aged 52, is an executive Director. Mr. Deng was appointed as an executive Director on 27 April 2018. Mr. Deng is responsible for the project management, technical supervision and research and development for our Group's business.

Mr. Deng has over 12 years' experience in providing solid waste treatment solutions. From 1988 to 2003, Mr. Deng was initially a director of the manufacturing process and was later promoted to the senior project manager of Yunfu Cement Factory of Guangdong International Trust & Investment Co., Ltd.* (廣東國際信託投資公司雲浮水泥廠) (now known as Guangdong GITIC Green Island Cement Co., Ltd.* (廣東廣信青洲水泥有限公司)), a cement manufacturer. From 2003 to 2005, Mr. Deng worked as a director of production management office and chemical and examination laboratory of Yunfu Hengdali Cement Products Co., Ltd.* (雲浮市亨達利水泥製品有限公司), a cement manufacturer. From 2005 to 2006, Mr. Deng was a project manager of Guangzhou Shengdahan Electrical Equipment Co., Ltd. (廣州聖達瀚機電設備有限公司), which was primarily engaged in the maintenance and advancement services for cement production facilities. From July 2006 to July 2009, he was employed by Guangzhou Weigang E&ME as a deputy chief engineer. In July 2009, he joined our Group and has been the chief engineer and a deputy general manager of Guangzhou Weigang since then.

Mr. Deng received a bachelor's degree in Cementitious Material Science from South China University of Technology* (華南理工大學) in China in July 1988. Mr. Deng was certified as a cement production process engineer by Guangdong International Trust & Investment Co., Ltd.* (廣東國際信託投資公司) in November 1995.

Mr. Deng is also a director of each of Guangzhou Weigang and Guangdong Lvhuan.

Non-executive Directors

Mr. Ren Jingfeng (任景豐), aged 76, is a non-executive Director of our Group. Mr. Ren Jingfeng was appointed as our non-executive Director on 27 April 2018. Mr. Ren Jingfeng is responsible for supervising and providing engineering technology advice to the Board.

Mr. Ren Jingfeng graduated from the PRC Military Institute of Engineering for People's Liberation Army* (中國人民解放軍軍事工程學院) in March 1966. He was awarded a certificate for completion of national technological contract law training course* (全國技術合同法專業訓練班結業證書) by the State Science and Technology Commission* (國家科學技術委員會) and the Legal Affairs Bureau of the State Council* (國務院法制局) in October 1987. Mr. Ren Jingfeng also received a certificate of qualification for senior engineer* (高級工程師) by the Aviation Industry Department* (航空工業部) of Shaanxi Job Title Reform Leading Committee* (陝西省職稱改革領導小組) in June 1988.

Mr. Ren Jingfeng is the father of Mr. Ren, one of our substantial Shareholders.

Mr. Yang Zhiqiang (楊志強), aged 58, was appointed as a non-executive Director on 8 November 2018.

Mr. Yang served as the chief legal officer of China Everbright International Limited (中國光大國際有限公司) ("**CEIL**"), the shares of which are listed on the Stock Exchange (stock code: 257), from July 2012 to March 2016, and as a non-executive director of China Everbright Water Limited (中國光大水務有限公司), a subsidiary of CEIL and listed on the main board of the Singapore Exchange Securities Trading Limited, from December 2014 to February 2017. Prior to being promoted to the chief legal officer of CEIL, Mr. Yang was the general manager of the legal and compliance department of CEIL from December 2003 to July 2012. Prior to joining CEIL, Mr. Yang was a paralegal of Livasiri & Co. from October 1998 to December 2003 and a trainee lawyer of Beijing Xinghe Legal Firm from January 2001 to March 2002.

Mr. Yang has been serving as the executive director and vice president of China Everbright Greentech, the shares of which are listed on the Stock Exchange (stock code: 1257), since May 2017.

Mr. Yang obtained a bachelor's degree from the Medical Science Department of Beijing Medical University* (北京醫科大學) in China in August 1984. He obtained a postgraduate diploma in law from the College of Law of England and Wales in 1999. Mr. Yang obtained the legal professional qualification certificate in China in March 2000 and is currently a practising PRC lawyer.

Independent Non-executive Directors

Mr. Yang Zhifeng (楊志峰), aged 55, has been appointed as an independent non-executive Director with effect from the [**REDACTED**]. Mr. Yang is a member of the audit committee of the Board.

Mr. Yang has over 23 years of experience in research and education in the environmental science field. Since October 1995, Mr. Yang has been working as a professor at the School of Environment of Beijing Normal University* (北京師範大學). Mr. Yang served as the head of the Institute of Environmental Science* (環境科學研究所) of Beijing Normal University* (北京師範大學) from November 1999 to September 2003. From October 2003 to January 2016, Mr. Yang served as the dean of School of Environment of Beijing Normal University* (北京師範大學).

Mr. Yang obtained the degree of doctor in philosophy in engineering from Tsinghua University (清華大學) in China in December 1989. Mr. Yang has been a fellow member of the Chinese Academy of Engineering* (中國工程院) since November 2015.

Mr. Feng Tao (馮濤), aged 44, has been appointed as an independent non-executive Director with effect from the [**REDACTED**]. Mr. Feng is the chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Board.

Mr. Feng has over 14 years' experience in providing financial management services to listed companies. Mr. Feng served as the chief financial officer, from September 2013 to November 2017, and an executive director, from December 2013 to October 2017, of Peace Map Holding Limited (天下圖控股有限公司), the shares of which are listed on the Stock Exchange (stock code: 402).

Mr. Feng obtained his bachelor's degree in accounting from Central University of Finance and Economics (中央財經大學) in China in June 1997 and a master's degree in business administration from Peking University (北京大學) in China in January 2010. Mr. Feng obtained a professional technology qualification in business administration and economics (intermediate level)* (工商管理經濟(中級)專業技術資格) from the Ministry of Human Resources and Social Security of the PRC* (中華人民共和國人力資源和社會保障部) in November 2004.

Mr. Jiang Guoliang (蔣國良), aged 42, has been appointed as an independent non-executive Director with effect from the [**REDACTED**]. Mr. Jiang is a member of the audit committee, the remuneration committee and the nomination committee of the Board.

Mr. Jiang has served as a partner of T&C (Zhejiang) Law Firm* (浙江天冊律師事務所) since October 2012. Prior to that, Mr. Jiang was a vice president of BOCGI Zheshang Capital Co. Ltd.* (中銀投資浙商產業基金管理有限公司) from August 2010 to September 2012, a partner of the Hangzhou branch of King & Wood Mallesons (北京金杜律師事務所杭州分所) from August 2008 to July 2010 and an associate of T&C (Zhejiang) Law Firm* (浙江天冊律師事務所) from April 1999 to July 2008.

Mr. Jiang has been an independent director of Zhejiang Communications Technology Co., Ltd.* (浙江交通科技股份有限公司) since December 2013, the shares of which are listed on the Shanghai Stock Exchange (stock code: 002061), and an independent non-executive director of Leap Holdings Group Limited (前進控股集團有限公司) since 31 August 2018, the shares of which are listed on the Stock Exchange (stock code: 1499).

Mr. Jiang obtained his bachelor's degree in laws from Peking University* (北京大學) in the PRC in July 1997, and is a practising PRC lawyer.

General

Save as disclosed above, none of our Directors is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares.

As at the Latest Practicable Date, except for Mr. Cai's interest in the Shares as disclosed in the subsection headed "C. Further Information about Shareholders, Directors, Management and Staff" in Appendix IV to this document and the respective interests of Mr. Dong Honghui and Mr. Deng Zhaoshan in options granted under the [**REDACTED**] Share Option Scheme as disclosed in the subsection headed "D. [**REDACTED**] Share Option Scheme" in Appendix IV to this document, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO.

Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group's business) which, directly or indirectly, competes or is likely to compete with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed above, none of our Directors had held any directorship in any listed company during the three years immediately prior to the Latest Practicable Date.

Save as disclosed above, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders.

Save as disclosed above, there is no relationship amongst our Directors and members of our senior management.

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management team consists of 4 members, who, together with our Board, are responsible for the day-to-day management of our Group. The following table sets out certain information in respect of our senior management personnel:

Name	Age	Date of joining our Group	Date of becoming a member of our senior management	Present position	Key role and responsibility
Wang Zhicheng (王志成)	54	1 May 2018	1 May 2018	Chief scientist and a deputy general manager	Overseeing the research and development of our Group in relation to solid waste treatment solutions
Huang Ying (黄瑛)	50	15 July 2009	15 July 2009	Deputy general manager	Overseeing the daily operations of our Group
Li Zhouxin (李周欣)	34	24 February 2017	1 February 2018	Chief financial officer	Overseeing the financial and accounting affairs of our Group
Gu Chunbin (辜淳彬)	28	1 December 2016	1 May 2018	Joint company secretary	Handling corporate governance, investor relationship and corporate administrative matters of our Group

Dr. Wang Zhicheng (王志成), aged 54, joined our Group in May 2018 as the chief scientist and a deputy general manager of our Group. Dr. Wang is mainly responsible for overseeing the research and development of our Group in providing solutions for solid waste treatment. Prior to joining our Group, Dr. Wang had been providing technical support in relation to solid waste treatment to our Group since January 2017.

Dr. Wang has over 18 years of experience in the environmental protection industry. Dr. Wang is the inventor, or designer of, various patents registered, or pending registration, in the PRC in the field of pyrolysis technology. Dr. Wang worked for the Clark Atlanta University in the U.S. as a research scientist from July 2000 to August 2001 and as an assistant professor from September 2001 to February 2009. Since November 2013, Dr. Wang served as an executive director of Shenzhen Capland Energy and Environment Co., Ltd.* (深圳開普藍生能源環保有限公司) ("**SZ Capland**"), whose principal business is the provision of solid waste treatment solution services. Dr. Wang will resign from all his position(s) from, and intends to dispose of all of his interest in, SZ Capland before the [**REDACTED**].

Dr. Wang has not been a director of any listed company in the last three years.

Dr. Wang received a bachelor's degree in chemistry from Sichuan University (四川大學) in China in July 1986, and a master's degree in chemical engineering from Sinopec Research Institute of Petroleum Processing* (中國石化研究院) in China in January 1991, and the degree of doctor in philosophy in materials science from the Clark Atlanta University in the U.S. in May 1999.

Ms. Huang Ying (黃瑛), aged 50, joined our Group in July 2009. In July 2009, Ms. Huang was appointed as a deputy general manager of Guangzhou Weigang and is mainly responsible for overseeing our daily operations. She is a director of Guangzhou Weigang.

Ms. Huang served as an architectural designer of Guangzhou Residence Architecture Design Institute* (廣州市住宅建築設計院), whose principal business was the provision of architectural and building design, project management, architectural consultancy and other related services, from July 1990 to November 2002.

Ms. Huang received a college diploma in architectural studies from the Guangdong Architectural Engineering Technical College* (廣東省建築工程專科學校) in June 1990, and was awarded an architectural design engineer qualification by the Guangzhou First Evaluation Committee of Architectural Engineering Technology Engineer* (廣州市建築工程技術工程師第一評審委員會) in November 1998.

Ms. Huang is the spouse of Mr. Cai, who is an executive Director and a Controlling Shareholder.

Ms. Huang has not been a director of any listed company in the last three years.

Mr. Li Zhouxin (李周欣), aged 34, joined our Group as a consultant in February 2017 to provide advice on financial matters and strategic development of our Group. Since February 2018, he has been the chief financial officer of our Group. Mr. Li is mainly responsible for overseeing the financial and accounting affairs of our Group.

Mr. Li has over 10 years of experience in corporate finance, investment management and strategic planning. Prior to joining our Group, Mr. Li worked as an auditor and assistant manager of the audit division at KPMG Consulting (China) Co., Ltd. from August 2007 to December 2010. From December 2010 to November 2011, he served as a finance manager at Pingtan Marine Enterprised Ltd., a company whose shares are listed on the NASDAQ Capital Market (stock code: PME). From November 2015 to April 2017, Mr. Li served as the chief financial officer of China Child Care Corporation Limited (中國兒童護理有限公司) (formerly known as Prince Frog International Holdings Limited), a company whose shares are listed on the Stock Exchange (stock code: 1259). He has also been a non-executive director of China Child Care Corporation Limited since June 2017 and was one of its executive directors from January 2016 to June 2017. From November 2017, Mr. Li has been serving as an independent non-executive director of LEAP Holdings Group Limited (前進控股集團有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1499). Mr. Li is currently the vice chairman of the 8th Executive Committee of the Youth Business Association of Fujian Province* (福建省青年商會).

Mr. Li received a bachelor's degree in finance from Fuzhou University in China in July 2007. Mr. Li is a PRC certified public accountant (non-practising) and a certified management accountant recognised by the U.S. Institute of Management Accountants. Mr. Li was qualified as an intermediate economist* (中級經濟師) by Zhangzhou Profession Reform Office* (漳州市職改辦) in January 2016. Mr. Li also holds a Certification in Risk Management Assurance accredited by the Institute of Internal Auditors.

Save as disclosed above, Mr. Li has not been a director of any listed company in the last three years.

Mr. Gu Chunbin (辜淳彬), aged 28, joined our Group in December 2016 as a consultant to provide advice on financial matters and strategic development of our Group. From February 2018 to April 2018, Mr. Gu worked as an assistant to the Board and was appointed as one of our joint company secretaries on 1 May 2018. Mr. Gu is mainly responsible for handling corporate governance, investor relations and corporate administrative matters.

From June 2013 to August 2015, Mr. Gu was a senior investment manager of J R Capital Limited, a technology investment company, and was responsible for its investment affairs. He has also been serving as an executive director of Wuxi Jieao Film Culture and Media Limited* (無錫杰翱影視文化傳媒有限公司) since June 2014. Mr. Gu took part in founding Twelve Ways Limited, which is principally engaged in restaurant business, and has been responsible for its strategic planning and corporate finance works since May 2014. He also took part in setting up M3 Holdings (Hong Kong) Limited, a real estate investment and management company, and has been responsible for its financial management and corporate finance works since May 2015.

Mr. Gu received a bachelor's degree in logistics management from Shanghai Institute of Foreign Trade* (上海對外貿易學院) in China in July 2012 and concurrently, a bachelor's degree in business (logistics and supply chain management) from the Royal Melbourne Institute of Technology in Australia in June 2012. He also obtained a master's degree in media management from the Hong Kong Baptist University in Hong Kong in November 2013.

Mr. Gu has not been a director of any listed company in the last three years.

JOINT COMPANY SECRETARIES

Mr. Gu Chunbin (辜淳彬) was appointed as one of our joint company secretaries on 1 May 2018 with his biographic information set out above.

Ms. So Shuk Yi Betty (蘇淑儀), was appointed as one of our joint company secretaries on 4 May 2018. Ms. So is the vice president of SW Corporate Services Group Limited, a corporate services provider.

Ms. So received a master's degree in Chinese and Comparative Law from the City University of Hong Kong in November 2004 and a master's degree in business administration from the University of Leicester in July 1999. Ms. So has been an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom since October 1997 and an associate of The Hong Kong Institute of Chartered Secretaries since October 1997.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cai is the chairman of the Board and the chief executive officer of our Company. Mr. Cai has held the key leadership position of our Group since its establishment and has been deeply involved in the formulation of corporate strategies and management of our Group's business operations. Our Directors (including our independent non-executive Directors) believe that in the period of business growth and development of our Group, having Mr. Cai perform the roles of the chairman of the Board and the chief executive officer of our Company is conducive to strong and consistent leadership, enabling our Group to make and implement decisions promptly and efficiently, and thus will be beneficial to and in the interests of our Group and our Shareholders as a whole. Save for the above deviation, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and our compliance with the Corporate Governance Code in each financial year so that our Group will comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the [**REDACTED**].

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. The written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code have been adopted by our Board. The primary roles of our audit committee include, but are not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions regarding its

resignation or dismissal; (b) monitoring integrity of our financial statements, management accounts, annual reports and interim reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgement contained therein (if any); and (c) reviewing our financial controls, risk management and internal control systems. Our audit committee consists of three members, namely, Mr. Feng Tao, Mr. Yang Zhifeng and Mr. Jiang Guoliang. Mr. Feng Tao is the chairman of our audit committee who is an independent non-executive Director with the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. Please refer to the paragraph headed "– Directors" in this section for the background of the members of our audit committee.

Remuneration Committee

Our Company has established a remuneration committee in compliance with Rule 3.25 of the Listing Rules. The written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code have been adopted by our Board. The primary roles of our remuneration committee include, but are not limited to, (a) making recommendations to our Board on our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for the development of our remuneration policy; (b) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives; and (c) making recommendations to our Board on the remuneration packages of individual executive Directors and senior management. Our remuneration committee consists of three members, namely, Mr. Feng Tao, Mr. Dong Honghui and Mr. Jiang Guoliang. Mr. Feng Tao is the chairman of our remuneration committee. Please refer to the paragraph headed "– Directors" in this section for the background of the members of our remuneration committee.

Nomination Committee

Our Company has established a nomination committee in compliance with paragraph A.5.1 of the Corporate Governance Code. The written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code have been adopted by our Board. The primary roles of our nomination committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman of our Board and the chief executive of our Company. Our nomination committee consists of three members, namely, Mr. Cai Zhuhua, Mr. Jiang Guoliang and Mr. Feng Tao. Mr. Cai Zhuhua is the chairman of our nomination committee. Please refer to the paragraph headed "– Directors" in this section for the background of the members of our nomination committee.

BOARD DIVERSITY

We recognise and embrace the benefits of having a diverse Board to enhance our Board's performance and to achieve a sustainable and balanced development. Our Board has adopted a board diversity policy which sets out the approach to achieve and maintain its diversity. The board diversity policy provides that selection of Board candidates should be based on a range of diversity considerations, including but not limited to professional skills, regional and industry experience, knowledge, gender, age, cultural and educational background, ethnicity and length of service.

Our Directors obtained degrees in various disciplines, including engineering, material science, law, medical science, accounting and business administration and have a balanced mix of experience and industry background, including experience and industry background in solid waste treatment, heavy machinery manufacturing, cement production, legal services, environmental science and financial management. Further, their ages range widely from 42 to 76 with three in their forties, four in their fifties and one in his seventies. Currently, one of the existing members of our senior management is female and one of our joint company secretaries is female. We will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. The ultimate selection of Board candidates will be based on merit and potential contribution to our Board with reference to our board diversity policy as a whole.

After the [**REDACTED**], the nomination committee of our Board will review the board diversity policy and its implementation from time to time to ensure its continued effectiveness. We will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis after the [**REDACTED**].

REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management personnel receive remuneration from our Company in the form of salaries and other allowance, bonuses, and retirement benefits scheme contributions. We determine the salaries of our Directors (including our independent non-executive Directors) and senior management personnel based on their respective qualifications, positions and seniority. In addition to salaries, our Directors may receive discretionary bonuses. The aggregate amount of remuneration (including Directors' fees, basic salaries, housing allowances, emoluments for services as employees/directors of the members of our Group prior to becoming the Directors) paid or payable to our Directors for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 amounted to approximately RMB920,000, RMB982,000, RMB1,029,000 and RMB584,000, respectively. Details of the remuneration paid to each of our Directors during the Track Record Period are set out in Note 11 to the Accountants' Report in Appendix I to this document.

The aggregate amount of remuneration (including salaries and other benefits, bonus and retirement benefit scheme contributions) paid or payable to the five highest paid individuals (excluding our Directors) of our Group for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 amounted to approximately RMB401,000, RMB526,000, RMB1.3 million and RMB442,000, respectively.

All of our Directors (excluding our non-executive Directors and our independent non-executive Directors) and senior management personnel are entitled to participate in the [**REDACTED**] Share Option Scheme, the principal terms of which are set out in the subsection headed "[**REDACTED**] Share Option Scheme" in Appendix IV to this document.

During the Track Record Period, no remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, the Directors or past directors of our Company or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of the Directors had waived or agreed to waive any remuneration and/or emoluments during the Track Record Period.

Further details of the terms of the service agreements of and remuneration paid to our Directors are set out in the subsection headed "Further Information about Shareholders, Directors, Management and Staff" in Appendix IV to this document.

[REDACTED] SHARE OPTION SCHEME

We have adopted conditionally the [**REDACTED**] Share Option Scheme on 10 December 2018. For details of the [**REDACTED**] Share Option Scheme, please refer to the subsection headed "[**REDACTED**] Share Option Scheme" in Appendix IV to this document.

COMPLIANCE ADVISER

Our Company has appointed Altus Capital Limited to be our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules and under the agreement with our compliance adviser, we shall consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including Share issues and Share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, business developments or results of our Company deviate from any forecast, estimate, or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules concerning unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares, or any other matters.

The term of the engagement will commence on the [**REDACTED**] and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

So far as is known to any Director or chief executive of our Company, immediately following completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], any options which were granted under the [**REDACTED**] Share Option Scheme), the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

(A) INTERESTS IN OUR COMPANY

Long Position in our Shares

Name of Shareholder	Nature of interest	Shares held as at the date of filing of the application proof of this document		Immediately following the completion of the [REDACTED]	
		Number[(Note 1)]	*Percentage*	*Number*[(Note 1)]	*Percentage*
			(approx.)		*(approx.)*
WeiGang Technology	Beneficial owner[(Note 2)]	700,100,000 (L)	68.58%	[**REDACTED**] (L)	[**REDACTED**]%
Weigang Green	Interest in controlled corporation[(Note 2)]	700,100,000 (L)	68.58%	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Cai	Interest in controlled corporation[(Note 2)]	700,100,000 (L)	68.58%	[**REDACTED**] (L)	[**REDACTED**]%
Ms. Huang	Interest of spouse[(Note 3)]	700,100,000 (L)	68.58%	[**REDACTED**] (L)	[**REDACTED**]%
Jade Fly	Beneficial owner[(Note 4)]	299,900,000 (L)	29.38%	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Ren	Interest in controlled corporation[(Note 4)]	299,900,000 (L)	29.38%	[**REDACTED**] (L)	[**REDACTED**]%
Ms. Lin Ying	Interest of spouse[(Note 5)]	299,900,000 (L)	29.38%	[**REDACTED**] (L)	[**REDACTED**]%

Notes:

(1) The letter "L" denotes a long position in our Shares.

(2) WeiGang Technology is wholly owned by Weigang Green which is in turn wholly owned by Mr. Cai. Mr. Cai and Weigang Green are deemed to be interested in all the Shares held by WeiGang Technology under the SFO.

(3) Ms. Huang is the spouse of Mr. Cai. By virtue of the SFO, Ms. Huang is deemed to be interested in all the Shares in which Mr. Cai is interested.

(4) Jade Fly is wholly owned by Mr. Ren. Mr. Ren is deemed to be interested in all the Shares held by Jade Fly under the SFO.

(5) Ms. Lin Ying is the spouse of Mr. Ren. By virtue of the SFO, Ms. Lin Ying is deemed to be interested in all the Shares in which Mr. Ren is interested.

Long Position in underlying Shares

Name of Shareholder	Nature of interest	Number of underlying Shares	Approximate percentage in our Company immediately following the completion of the [REDACTED]
Mr. Cai	Interest of spouse(*Note 1*)	[**REDACTED**]	[**REDACTED**]%
Ms. Huang	Beneficial owner	[**REDACTED**](*Note 2*)	[**REDACTED**]%

Notes:

(1) Mr. Cai is the spouse of Ms. Huang. By virtue of the SFO, Mr. Cai is deemed to be interested in all the Shares in which Ms. Huang is interested.

(2) This represents the number of Shares which may be allotted and issued to Ms. Huang upon exercise of the options granted to her pursuant to the [**REDACTED**] Share Option Scheme.

(B) MINORITY INTERESTS IN OUR SUBSIDIARIES

Name of subsidiary	Name of minority shareholder	Nature of interest	Approximate percentage of minority interests in the subsidiary concerned(*Note 1*)
Chaozhou Xinnengji	Mr. Guo Xudong(*Note 2*)	Beneficial owner	10%
Guangdong Lvhuan	Guangdong Xingyue(*Note 3*)	Beneficial owner	49%
Weierneng Environmental	Shandong Kangrong (*Note 4*)	Beneficial owner	49%

Notes:

(1) All the shareholders of the above subsidiaries have no present intention to change their respective shareholdings.

(2) Mr. Guo Xudong is an Independent Third Party, save for his interest in, and being a director of, Chaozhou Xinnengji.

(3) Guangdong Xingyue was owned as to 40% by Mr. Chen Yonghe, 40% by Mr. Hou Wenqing and 20% by Mr. Zhao Qianxiang as at the Latest Practicable Date. Guangdong Xingyue is an Independent Third Party, save for its interest in Guangdong Lvhuan.

(4) Shandong Kangrong was jointly owned by Teng Huaiyan and Teng Zhaoyue as at the Latest Practicable Date. Shandong Kangrong is an Independent Third Party, save for its interest in Weierneng Environmental.

Except as disclosed in this section above, our Directors and our chief executive are not aware of any person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares are issued upon the exercise of any options which were granted under the [**REDACTED**] Share Option Scheme), have an interest or short position in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue, and to be issued, as fully paid, or credited as fully paid, immediately upon the completion of the [**REDACTED**]:

Authorised share capital		**HK$**
4,000,000,000	Shares	200,000,000

Issued or to be issued, fully paid or credited as fully paid		**HK$**
1,020,864,000	Shares in issue as at the date of this document	51,043,200
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Total	[**REDACTED**]

ASSUMPTIONS

The above table assumes that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the [**REDACTED**]. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**], or options which were granted under the [**REDACTED**] Share Option Scheme, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the [**REDACTED**] and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The [**REDACTED**] will rank *pari passu* in all respects with the Shares in issue, and to be issued as mentioned in this document, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the [**REDACTED**].

[REDACTED] SHARE OPTION SCHEMES

Pursuant to the written resolutions of our Shareholders passed on 10 December 2018, we conditionally adopted the [**REDACTED**] Share Option Scheme. Summaries of the principal terms of the [**REDACTED**] Share Option Scheme are set out in the subsection headed "Statutory and General Information – D. [**REDACTED**] Share Option Scheme" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce its share capital or capital redemption reserved by its Shareholders passing special resolution. For further details, please refer to the subsection headed "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix III to this document.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the subsection headed "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this document.

GENERAL MANDATES TO ALLOT AND ISSUE NEW SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of not more than the sum of:

(1) 20% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] (excluding Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options which were granted under the [**REDACTED**] Share Option Scheme); and

(2) the total number of Shares of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any options which were granted under the [**REDACTED**] Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the subsection headed "Statutory and General Information – A. Further information about our Company – 3. Resolutions in writing of our Shareholders passed on 10 December 2018" in Appendix IV to this document.

GENERAL MANDATES TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] (excluding Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**], or any options which were granted under the [**REDACTED**] Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are [**REDACTED**] (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the subsection headed "Statutory and General Information – A. Further information about our Company – 6. Purchase by our Company of its own securities" in Appendix IV to this document.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the subsection headed "Statutory and General Information – A. Further information about our Company – 3. Resolutions in writing of our Shareholders passed on 10 December 2018" in Appendix IV to this document.

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes set out in the Accountants' Report included in Appendix I to this document. The Accountants' Report contains our audited consolidated financial statements as at and for the years ended 31 December 2015, 2016 and 2017 and as at and for the six months ended 30 June 2018. Our consolidated financial statements have been prepared in accordance with IFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described in the section headed "Risk Factors" and elsewhere in this document.

OVERVIEW

We are a leading comprehensive hazardous waste incineration turnkey solution provider in China focused on the research, design, integration and commissioning of solid waste treatment systems, particularly for hazardous waste incineration. We operate our business mainly through our PRC subsidiary, Guangzhou Weigang, which has been engaged in this business since 2009. During the Track Record Period, we primarily engaged in and generated a substantial portion of our revenue from the design, integration and commissioning of hazardous waste incineration systems in China. Leveraging our experience and expertise in hazardous waste incineration, we have also expanded our offerings to provide solid waste treatment solutions including thermal desorption of oil sludge, treatment of solid waste utilising the pyrolysis technology and cement plant parallel kiln co-treatment.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 18 May 2017. We underwent the Reorganisation in anticipation of the [**REDACTED**], pursuant to which our Company became the holding company of the companies now comprising our Group on 5 August 2017. As the Company and its operating subsidiaries, namely Guangzhou Weigang, Xinjiang Wosen, Shenzhen Xinnengji, Chaozhou Xinnengji, and Guangdong Lvhuan, were under the common control of Mr. Cai throughout the Track Record Period, and before and after the Reorganisation, or since their respective dates of incorporation, where there is a shorter period, our Group resulting from the Reorganisation is regarded as a continuing entity and, accordingly, the consolidated financial information of our Group has been prepared as if our Company had always been the holding company of our Group. In particular, our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the three years ended 31 December 2017 include the results, changes in equity and cash flows of the companies now comprising our Group have been prepared as if our current group structure had been in existence throughout the three years, or since the respective dates of incorporation, which is a shorter period. Our consolidated statements of financial position as at 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as if our current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by a number of factors, including those set out below:

Market Demand for Our Solutions

Our business is affected by the general market demand for solid waste treatment solutions, in particular, demand from hazardous waste treatment facility operators and other industrial participants with large hazardous waste output and environmental compliance needs. For the years ended 31 December 2015, 2016 and 2017, our revenue increased from RMB74.9 million in 2015 to RMB89.0 million in 2016 and further to RMB189.4 million in 2017, representing a CAGR of 59.0% from 2015 to 2017. We further recorded a revenue of RMB183.1 million for the six months ended 30 June 2018. Such growth was attributable to the increasing customer demand for our hazardous waste incineration solutions, which we believe has been driven by the relevant PRC government and industry regulations and policies such as Environmental Protection Law of the PRC, Guidance Opinions on the Promotion and Development of Manufacturing of Environmental Protection Equipment and National Catalogue of Hazardous Waste. We believe our customers' demand has been, and may likely continue to be, driven by these favourable government and industry regulations and policies. Our results of operations will be affected by our ability to seize opportunities from, and respond competitively to, customer demand driven by such factors.

Mix of Services and Solution Types

During the Track Record Period, we principally provided hazardous waste incineration solutions to our customers for the design, integration and commissioning of hazardous waste incineration projects. We also, to a lesser extent, provided (i) other services including technical upgrading and maintenance services to existing hazardous waste incineration systems and certain cement production facilities in China and (ii) pyrolysis solid waste treatment solutions. During the Track Record Period, we had achieved higher overall gross profit margin for hazardous waste incineration solutions and pyrolysis solid waste treatment solutions than the technical upgrading and maintenance services as the technical requirements involved in hazardous waste incineration solutions and pyrolysis solid waste treatment solutions are more sophisticated and therefore their price and profit return is relatively higher. As we increasingly focused on provision of hazardous waste incineration solutions, revenue contribution from the maintenance services had decreased during the Track Record Period and is expected to continue to decrease in the years to come. In addition, we are in the process of developing and commercialising our solid waste treatment solutions other than hazardous waste incineration solutions which are expected to bring new revenue stream to our Group. These business development and changes in mix of services and solution types are all likely to affect our overall profitability and financial performance going forward.

Competitiveness in Technologies and Solution Design

We primarily engage in the research, design, integration and commissioning of solid waste treatment projects. We believe our capability to maintain advanced and commercially viable technologies is key to the success of our business. Our technical personnel conducting research and development activities have extensive relevant industry experience in solid waste treatment technologies. However, market competition may intensify in the future and have an influence on our competitiveness and market share as existing competitors may introduce new technologies or provide more competitive offerings and there may have more new entrants to the market driven by the favourable government and industry regulations and policies to compete with us. As a result, our ability to offer quality solution design with up-to-date technologies and compete effectively with existing and new competitors will have a significant impact on our results of operations and business growth.

Pricing and Cost of Equipment and Materials

Our results of operations are affected by our ability to price our solutions at desired level and by changes in the market prices of the equipment and materials needed for the commissioning of our projects. Our pricing and bargaining power can be affected by market factors such as competition from other solution providers, as well as changes in demand for our solid waste treatment solutions. In addition, during the Track Record Period, our cost of equipment and materials amounted to RMB37.2 million, RMB45.4 million, RMB101.2 million and RMB118.2 million, respectively, representing 77.3%, 75.5%, 79.5% and 85.5% of our total cost of services for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively. Changes in the market prices of equipment and materials needed for the commissioning of our projects may affect our profitability in the future if we cannot or do not effectively pass on all of the increases in such cost to our customers.

Seasonality

We typically record lower revenue for our hazardous waste incineration business during the first quarter every year due to the Chinese New Year holiday. Production at factories or construction work in China tends to slow down for at least four weeks, or even completely shutdown, before and after the Chinese New Year holiday. In this vein, our equipment and materials suppliers and contract manufacturers often are not operating during those holidays. Therefore, we generally experience a decrease in our provision of services during these periods and an increase in our business for the periods prior to and after the holidays. For more details, see "Risk Factors – Our business is subject to seasonality due to holiday seasons".

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. The preparation of our consolidated financial statements also requires management to make judgements, estimates and assumptions based on historical experience and various other factors that management believes to be reasonable under the circumstances. Our significant accounting policies and critical accounting estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set out in further details in Notes 4 to the Accountant's Report included in Appendix I to this document. We set out below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements.

Revenue Recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount reflecting the consideration to which we expect to be entitled in exchange for those goods or services. Specifically, we use a five-step approach to recognise revenue which includes (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when (or as) the entity satisfy a performance obligation.

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when we transfer control of a good or service to a customer. If control of the services transfer over time, revenue is recognised over the period of the contract by reference to the progress toward complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services. We recognise revenue from four major sources as described below.

For provision of hazardous waste incineration solutions services, pyrolysis solid waste treatment solutions services and technical upgrading services, revenue from these services are recognised over time using input methods which is based on the stage of completion of the contract, and the stage of completion of the contract is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. For warranty embedded to the contracts, the customer does not have the option to purchase a warranty separately, we account for the warranty in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

A contract asset represents our right to consideration in exchange for services that we have transferred to a customer and is not yet unconditional. In contrast, a receivable represents our unconditional right to consideration which means only the passage of time is required before payment of that consideration is due. Any amount previously recognised as a contract asset is reclassified to trade and note receivables at the point at which it is invoiced to the customer. If the progress payment exceeds the revenue recognised to date under the input method then we recognise a contract liability for the difference.

Revenue from maintenance services are recognised over the contract period when the relevant services are provided by us and the customers simultaneously receive and consume the benefits provided by our performance.

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 of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. 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. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (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.

Significant judgement is required in determining the provision for income taxes. There are many transactions during the ordinary course of business for which the tax determination and calculations are uncertain and the final tax outcome may differ from the amounts initially recorded. Any such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Application of IFRS 9 and IFRS 15

We have consistently applied International Accounting Standards ("**IASs**"), IFRSs, amendments and related interpretations, which are effective for the accounting period beginning on 1 January 2018, including IFRS 15 "Revenue from Contracts with Customers" and the related Amendments, throughout the Track Record Period except that we adopted IFRS 9 "Financial Instruments" on 1 January 2018 and adopted IAS 39 "Financial Instruments: Recognition and Measurement" prior to 1 January 2018.

We have assessed the effects of adoption of IFRS 15 on our financial statements and consider that the adoption of IFRS 15 would have no significant impact on our financial position and performance compared to the requirements of IAS 18 "Revenue".

We have applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

We have assessed the effects of adoption of IFRS 9 on our financial statements and identified the followings have been affected:

Classification and measurement of financial assets

Unlisted equity securities at fair value of RMB3,584,000 was reclassified as "Equity instrument at fair value through other comprehensive income" as at 1 January 2018 while it should have been classified as "available-for-sale investment" should IAS 39 have been applied. For further details, see Note 3 "*Summary of effects arising from initial application of IFRS 9 on 1 January 2018*" in the Accountants' Report included in Appendix I to the Document.

We assessed the classification and measurement of financial assets had no material impact on our financial position and performance.

Impairment of financial assets

IFRS 9 introduces new requirements for expected credit losses for financial assets. As at 1 January 2018, we reviewed and assessed our existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9. For further details, see Note 3 "*Summary of effects arising from initial recognition of IFRS 9*" in the Accountants' Report included in Appendix I to the Document.

We assessed no material difference between the loss allowances of financial assets determined in accordance with IFRS 9 as at 1 January 2018 and with IAS 39 as at 31 December 2017.

RESULTS OF OPERATIONS

The following table sets out our selected consolidated statements of profit or loss and other comprehensive income data for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue	74,883	100.0	88,971	100.0	189,407	100.0	27,371	100.0	183,114	100.0
Cost of services	(48,170)	(64.3)	(60,131)	(67.6)	(127,303)	(67.2)	(25,689)	(93.9)	(138,168)	(75.5)
Gross profit	26,713	35.7	28,840	32.4	62,104	32.8	1,682	6.1	44,946	24.5
Other income, gains and losses	113	0.1	786	0.8	2,188	1.1	600	2.2	3,821	2.1
Impairment losses, net of reversal	(1,574)	(2.1)	(129)	(0.1)	(584)	(0.3)	–	–	199	0.1
Administrative expenses	(2,342)	(3.1)	(3,713)	(4.2)	(11,743)	(6.2)	(3,506)	(12.8)	(11,484)	(6.3)
Other expenses	(2,633)	(3.5)	(5,571)	(6.2)	(14,473)	(7.6)	(3,281)	(12.0)	(8,650)	(4.7)
Share of results of associates	443	0.6	2,667	3.0	(675)	(0.4)	(431)	(1.6)	–	–
Finance costs	–	–	–	–	(438)	(0.2)	(116)	(0.4)	(1,991)	(1.1)
Profit/(Loss) before tax	20,720	27.7	22,880	25.7	36,379	19.2	(5,052)	(18.5)	26,841	14.7
Income tax (expense)/credit	(5,105)	(6.8)	(3,357)	(3.8)	(6,620)	(3.5)	687	2.5	(4,193)	(2.3)
Profit/(Loss) for the year/period	15,615	20.9	19,523	21.9	29,759	15.7	(4,365)	(16.0)	22,648	12.4
Items that may be reclassified subsequently to profit or loss:										
Fair value gain on available-for-sale financial assets	–	–	–	–	2,084	1.1	–	–	–	–
Items that will not be reclassified to profit or loss:										
Fair value gain on equity instrument at fair value through other comprehensive income	–	–	–	–	–	–	–	–	682	0.4
Income tax relating to items that will not be reclassified to profit or loss	–	–	–	–	–	–	–	–	(692)	(0.4)
	–	–	–	–	2,084	1.1	–	–	(10)	0.0
Total comprehensive income/(expense) for the year/period	15,615	20.9	19,523	21.9	31,843	16.8	(4,365)	(16.0)	22,638	12.4
Profit/(Loss) for the year/period attributable to:										
Owners of the Company	15,615	20.9	19,523	21.9	30,195	15.9	(4,204)	(15.4)	19,608	10.7
Non-controlling interests	–	–	–	–	(436)	(0.2)	(161)	(0.6)	3,040	1.7
	15,615	20.9	19,523	21.9	29,759	15.7	(4,365)	(16.0)	22,648	12.4

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Total comprehensive income/ (expense) for the year/period attributable to:										
Owners of the Company	15,615	20.9	19,523	21.9	32,279	17.0	(4,204)	(15.4)	19,598	10.7
Non-controlling interests	–	–	–	–	(436)	(0.2)	(161)	(0.6)	3,040	1.7
	15,615	20.9	19,523	21.9	31,843	16.8	(4,365)	(16.0)	22,638	12.4

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS LINE ITEMS

Revenue

During the Track Record Period, we derived the majority of our revenue from provision of hazardous waste incineration solutions and the remainder from provision of pyrolysis solid waste treatment solutions and other services including technical upgrading and maintenance services. Revenue from hazardous waste incineration solutions increased and revenue from other services generally decreased during the Track Record Period as we continued to focus on developing our hazardous waste incineration solutions and the customer demand for hazardous waste incineration solutions increased. The following table sets out the breakdowns of our revenue and gross profit margin by type of solution or service for the periods indicated:

	Year ended 31 December									Six months ended 30 June					
	2015			2016			2017			2017			2018		
	Revenue *RMB'000*	% of total revenue %	Gross profit margin %	Revenue *RMB'000*	% of total revenue %	Gross profit margin %	Revenue *RMB'000*	% of total revenue %	Gross profit margin %	Revenue *RMB'000*	% of total revenue %	Gross profit margin %	Revenue *RMB'000*	% of total revenue %	Gross profit margin %
Hazardous waste incineration solutions	59,415	79.3	38.0	79,162	89.0	34.0	176,141	93.0	34.8	22,325	81.6	6.7	171,163	93.5	26.0
Pyrolysis solid waste treatment solutions	–	–	–	–	–	–	–	–	–	–	–	–	3,470	1.9	24.9
Other services:															
Technical upgrading services	–	–	–	3,492	3.9	11.6	11,445	6.0	3.8	4,549	16.6	7.9	4,979	2.7	7.1
Maintenance services	15,468	20.7	26.8	6,317	7.1	24.6	1,821	1.0	16.1	497	1.8	(33.0)	3,502	1.9	(22.3)
	15,468	20.7	26.8	9,809	11.0	20.0	13,266	7.0	5.5	5,046	18.4	3.9	8,481	4.6	(5.0)
Total	74,883	100.0	35.7	88,971	100.0	32.4	189,407	100.0	32.8	27,371	100.0	6.1	183,114	100.0	24.5

Revenue increased significantly from RMB74.9 million for the year ended 31 December 2015 to RMB189.4 million for the year ended 31 December 2017 and further to RMB183.1 million for the six months ended 30 June 2018. These increases were mainly attributable to the rapid growth of our hazardous waste incineration treatment business as driven by a combination of favourable factors below:

(i) General increase in market demand

There was a general increase in market demand driven by various factors such as the increasing hazardous waste suitable for incineration, the increasing number of centralised incineration facilities as well as favourable government policy support. According to Frost & Sullivan, hazardous waste output volume in China is expected to increase from 2018 to 2022 at a CAGR of 13.6%, and with growing public environmental consciousness and demand for comprehensive hazardous waste disposal by large-scale centralised incineration facilities has been steadily increasing in China, especially in and around industrial zones. According to Frost & Sullivan, the total revenue of solution providers for large-scale centralised hazardous waste incineration facilities in China increased from RMB216.9 million in 2013 to RMB890.4 million in 2017 at a CAGR of 42.3%.

(ii) Growth of our major customers

Dongjiang Group was our largest customer during the Track Record Period. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, our revenue from Dongjiang Group amounted to RMB59.3 million, RMB83.5 million, RMB135.1 million and RMB68.5 million, respectively, accounting for 79.2%, 93.9%, 71.4% and 37.4% of our total revenue, respectively. The increasing revenue generated from Dongjiang Group was primarily due to its business expansion and an increase in the number of its projects undertaken by us. Leveraging on the growth of Dongjiang Group and our good relationship with Dongjiang Group, our number of projects under construction obtained from Dongjiang Group increased significantly from three as at 31 December 2015 to eight as at 30 June 2018. As at 30 June 2018, Dongjiang Group had a total of eight hazardous waste incineration projects under construction in China with an aggregate designed disposal capacity of 200,000 tonnes per annum according to Frost & Sullivan, in which we were engaged to provide solutions to all of these projects.

(iii) Increased customer recognition

We have been focusing on hazardous waste incineration treatment solutions to the facility operators and other customers with large solid waste output and environmental compliance needs. With almost ten years of experience, we have gradually accumulated an extensive knowledge pool and have built our brand recognition among hazardous waste treatment facility operators in China. The increased customer recognition facilitates our exploration of new customers and we are able to obtain more projects through customers' referral. For the year ended 31 December 2016 and 2017 and the six months ended 30 June 2018, from customers other than Dongjiang Group, we have obtained one, five and five new projects of which contract amounts are RMB36.0 million, RMB268.1 million in aggregate and RMB336.3 million in aggregate, respectively.

(iv) Relatively small revenue base in 2015

We had a relatively small revenue base in 2015 and 2016, with revenue amounting to a total of RMB74.9 million and RMB89.0 million, respectively. Our relatively small revenue base was primarily due to the number of projects undertaken by us. As at 31 December 2015 and 2016, we only have four and five outstanding projects on hand, respectively, mainly due to the fact that we were a small-scale company with limited resource of both labour and capital in 2015 and 2016. As such, there was a large room for our revenue growth within such fast growing solid waste treatment and centralised hazardous waste treatment market. Leveraging on all the factors mentioned above, we obtained more projects in 2017 and the six months ended 30 June 2018, amounting to eight and nine projects with an aggregate contract amount of RMB446.4 million and RMB523.2 million, respectively.

We are in the process of developing and commercialising a number of solid waste treatment solutions other than hazardous waste incineration. During the six months ended 30 June 2018, we expanded our provision of solid waste treatment solutions to pyrolysis which had started generating revenue and such revenue together with revenue from other future solid waste treatment solutions are expected to grow in the foreseeable future to complement our revenue from hazardous waste incineration solutions.

As at the Latest Practicable Date, the Karamay Project was in trial operation and it is expected to commence operation in December 2018. We expect our subsidiary, Xinjiang Wosen, will provide operation and maintenance services to the customer upon commencement of operation of the Karamay Project. Xinjiang Wosen will deploy its project management, technical and other supporting staff on-site for the daily operation of the Karamay Project and our costs to be incurred for such project are expected to be mainly operating costs such as utilities fees and direct labour costs coupled with other non-operating costs such as depreciation of the oil sludge treatment facility. We also expect to have one-off investing cash outflow for the procurement of equipment and materials for the commissioning of the oil sludge treatment facility and such facility will be reflected as our property, plant and equipment which is expected to bring in continuous and stable operating cash inflow. By implementing the Karamay Project and any other similar oil sludge thermal desorption projects in the future, we seek to improve our cash flow and financial performance in general by providing such operation and maintenance services or directly operating such facilities as a proprietary owner.

Cost of Services

Cost of services represents costs and expenses directly attributable to the provision of our solid waste treatment solutions and technical upgrading and maintenance services and consist of (i) cost of equipment and materials; (ii) direct labour costs; (iii) sub-contracting costs; and (iv) others. The following table sets out the breakdown of cost of services for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	*% of total cost of services*	*RMB'000*	*% of total cost of services*	*RMB'000*	*% of total cost of services*	*RMB'000*	*% of total cost of services*	*RMB'000*	*% of total cost of services*
Equipment and materials	37,227	77.3	45,385	75.5	101,187	79.5	22,606	88.0	118,158	85.5
Direct labour	1,141	2.4	2,928	4.9	5,124	4.0	1,665	6.5	4,325	3.1
Sub-contracting	9,365	19.4	11,103	18.5	19,788	15.5	850	3.3	14,289	10.4
Others	437	0.9	715	1.1	1,204	1.0	568	2.2	1,396	1.0
	48,170	100.0	60,131	100.0	127,303	100.0	25,689	100.0	138,168	100.0

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the cost of equipment and materials accounted for 77.3%, 75.5%, 79.5% and 85.5% of our total cost of services, respectively. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of equipment and materials on our profit for the years/period during the Track Record Period. Fluctuations are assumed to be 5% and 10% for the years/period indicated, which correspond to the range of historical fluctuations in the cost of our equipment and materials during the Track Record Period and the average market price of equipment and materials that we generally procured for the past few years.

	Percentage change in cost of equipment and materials			
	-10%	**-5%**	**+5%**	**+10%**
	RMB'000 (except for percentages)			
Year ended 31 December 2015				
(Decrease)/increase in cost of equipment and materials	(3,723)	(1,861)	1,861	3,723
Increase/(decrease) in profit for the year	2,792	1,396	(1,396)	(2,792)
Percentage increase/(decrease) in profit for the year	17.9%	8.9%	(8.9)%	(17.9)%

	Percentage change in cost of equipment and materials			
	-10%	**-5%**	**+5%**	**+10%**
	RMB'000 (except for percentages)			
Year ended 31 December 2016				
(Decrease)/increase in cost of equipment and materials	(4,539)	(2,269)	2,269	4,539
Increase/(decrease) in profit for the year	3,858	1,929	(1,929)	(3,858)
Percentage increase/(decrease) in profit for the year	19.8%	9.9%	(9.9)%	(19.8)%
Year ended 31 December 2017				
(Decrease)/increase in cost of equipment and materials	(10,119)	(5,059)	5,059	10,119
Increase/(decrease) in profit for the year	8,601	4,300	(4,300)	(8,601)
Percentage increase/(decrease) in profit for the year	28.9%	14.4%	(14.4)%	(28.9)%
Six months ended 30 June 2018				
(Decrease)/Increase in cost of equipment and materials	(11,816)	(5,908)	5,908	11,816
Increase/(decrease) in profit for the period	10,044	5,022	(5,022)	(10,044)
Percentage increase/(decrease) in profit for the period	44.3%	22.2%	(22.2)%	(44.3)%

Other Income, Gains and Losses

Other income include mainly (i) government grants, which represented immediate and unconditional financial support granted by the local governments mainly in recognition of our development of intellectual properties and research and development results; (ii) bank interest income; and (iii) others representing one-off charity donation. Other gains and losses include mainly (i) net foreign exchange gains; (ii) impairment loss on advance to a supplier; and (iii) gain on deregistration of investment in an associate. The following table sets out the breakdown of other income and other gains and losses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	–	750	2,132	707	520
Bank interest income	113	56	128	72	249
Others	–	(20)	(1)	–	9
Other income	113	786	2,259	779	778
Net foreign exchange gains	–	–	112	–	2,946
Impairment loss on advance to a supplier	–	–	(183)	(179)	–
Gain on deregistration of investment in an associate	–	–	–	–	97
Other gains and losses	–	–	(71)	(179)	3,043
	113	786	2,188	600	3,821

Administrative Expenses

Administrative expenses include (i) salaries and benefits of our management, administrative and finance staff; (ii) professional fees for consultancy services; (iii) operating lease payments; (iv) transportation and accommodation expenses; (v) depreciation and amortisation relating to office equipment and software; (vi) office administration expenses; (vii) entertainment expenses; (viii) other taxes and levies payable to government authorities mainly relating to stamp study; and (ix) other miscellaneous administrative expenses. The following table sets out the breakdown of administrative expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Staff salaries and benefits	1,531	1,975	4,996	1,662	4,801
Professional fees	50	95	1,908	301	2,064
Operating lease payments	193	387	1,970	632	1,154
Transportation and accommodation expenses	84	238	772	100	573
Depreciation and amortisation	43	185	280	108	494
Office administration expenses	115	418	399	113	405
Entertainment expenses	7	140	576	168	387
Other taxes and levies	48	103	445	145	181
Others	271	172	397	277	1,425
	2,342	3,713	11,743	3,506	11,484

Our administrative expenses accounted for 3.1%, 4.2%, 6.2% and 6.3% of our total revenue for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively. We had incurred increasing administrative expenses during the Track Record Period as we have hired more management, administrative and finance staff as we grew in business scale and incurred more operating lease payments as well as professional fees.

Other Expenses

Other expenses include (i) [**REDACTED**] expenses; and (ii) research and development expenses, including staff costs, material and other related costs mainly in connection with the research and development of solid waste treatment applications. The following table sets out a breakdown of other expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
[**REDACTED**] expenses	–	–	6,323	–	5,180
Research and development expenses	2,633	5,571	8,150	3,281	3,470
	2,633	5,571	14,473	3,281	8,650

We had incurred increasing other expenses during the Track Record Period as we incurred more research and development expenses by hiring more staff and procuring more materials related to research and development and incurred [**REDACTED**] expenses.

Share of Results of Associates

Share of results of associates represents the profit or loss from our investment in two associates during the Track Record Period, namely, (i) Yunfu Yishida Waste Heat Power Generation Co., Ltd. ("**Yishida**"), a company engaged in the sales of waste heat recovery and power generation equipment; and (ii) Xinjiang Wosen, a company providing research and development of environmental protection technologies and facilities. We held 49% equity interest in Yishida as at 31 December 2015, 2016 and 2017, respectively. Yishida was subsequently deregistered in 2018 as it was a project company of which its contract with the project owner to construct a waste heat recovery plant and provide utility had expired on 23 July 2016. We held 50% equity interest in Xinjiang Wosen as at 31 December 2015. It was classified as our associate because we could only appoint one out of three directors to its board but have significant influence over it. We further acquired the remaining 50% equity interest in Xinjiang Wosen and it became our wholly owned subsidiary during the year ended 31 December 2016. As at 30 June 2018, we did not have any associates.

Income Tax Expense/(Credit)

Income tax expense/(credit) consists of current tax and deferred tax for PRC enterprise income tax. The following table sets out the breakdown of income tax expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
PRC Enterprise Income Tax:					
Current tax	5,499	2,831	7,258	–	5,311
Overprovision in prior year	–	–	–	–	(492)
	5,499	2,831	7,258	–	4,819
Deferred tax	(394)	526	(638)	(687)	(626)
	5,105	3,357	6,620	(687)	4,193

We operate our business principally through our PRC subsidiaries which were subject to the PRC enterprise income tax at a statutory rate of 25% on its estimated assessable profits during the Track Record Period. Guangzhou Weigang was recognised as a "High and New Technology Enterprise" in 2016 and was entitled to a preferential PRC income tax rate of 15% for each of 2016, 2017 and 2018 and such recognition can be applied for renewal every three years.

Our Company and our subsidiaries, namely Weigang Environment and Jade Far, were incorporated in the Cayman Islands and the BVI, respectively, and did not have tax assessable profit in the Cayman Islands, the BVI or other jurisdiction during the Track Record Period. No provision for Hong Kong profit tax has been recognised during the Track Record Period as our Group did not have income arisen in, or derived from Hong Kong.

During the Track Record Period, our effective tax rate was 24.6%, 14.7%, 18.2% and 15.6% for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively. Our relatively lower effective tax rates in 2016, 2017 and the first half of 2018 were mainly due to the preferential PRC income tax rate of 15% that we enjoyed for these periods.

As at 30 June 2018, we had no delinquency in tax payments with the relevant tax authorities, and we were not aware of any outstanding or potential disputes with such tax authorities.

PERIOD TO PERIOD COMPARISON

Six months ended 30 June 2018 compared to six months ended 30 June 2017

Revenue

Revenue increased by 155.7 million to RMB183.1 million for the six months ended 30 June 2018 from RMB27.4 million for the six months ended 30 June 2017. This increase was attributable to (i) an increase of RMB148.8 million in revenue from hazardous waste incineration solutions; (ii) an increase of RMB3.4 million in revenue from provision of other services; and (iii) a new revenue stream from provision of pyrolysis solid waste treatment solution in relation to the Jiangmen Project.

Hazardous waste incineration solutions. Revenue from hazardous waste incineration solutions increased by RMB148.8 million to RMB171.2 million for the six months ended 30 June 2018 from RMB22.3 million for the six months ended 30 June 2017. This increase was mainly attributable to (i) an increase in the total number of hazardous waste incineration projects undertaken by us for the six months ended 30 June 2018 and (ii) the different stage of completion among projects as most of the projects were in their initial or final stage during the six months ended 30 June 2017 and the proportion of total project revenue recognised was relatively small while more projects were in their implementation stage during the six months ended 30 June 2018 with larger proportion of total project revenue being recognised. Our total number of ongoing hazardous waste incineration projects increased from 10 projects for the six months ended 30 June 2017 to 19 projects for the six months ended 30 June 2018 since (i) the market demand for hazardous waste incineration treatment solutions increased as driven by the increasing number of centralised incineration facilities and favourable government policy support; and (ii) we are able to obtain new projects from our major customer, Dongjiang Group, along with its business expansion and from other customers with our increased customer recognition.

Other Services. Revenue from provision of other services including technical upgrading and maintenance services increased by 68.1% to RMB8.5 million for the six months ended 30 June 2018 from RMB5.0 million for the six months ended 30 June 2017. This is attributable to (i) an increase of RMB3.0 million in revenue from provision of maintenance services and (ii) an increase of RMB0.4 million in revenue from provision of technical upgrading services as the customer demand for both maintenance and technical upgrading of their existing hazardous waste incineration systems and cement production facilities provided by us has increased.

Cost of Services

Cost of services increased by RMB112.5 million to RMB138.2 million for the six months ended 30 June 2018 from RMB25.7 million for the six months ended 30 June 2017. This increase was mainly attributable to an increase in our cost of equipment and materials for our increased number of ongoing hazardous waste incineration solutions for the six months ended 30 June 2018. Our cost of equipment and materials was the largest component of our cost of

sales and increased by RMB95.6 million to RMB118.2 million for the six months ended 30 June 2018 from RMB22.6 million for the six months ended 30 June 2017 since (i) we increased the amount of our procurement of equipment for the hazardous waste incineration systems and other materials for use on incineration equipment in order to facilitate the implementation stage of our increased ongoing hazardous waste incineration projects and (ii) we had procured equipment and materials with high cost for installation of certain hazardous waste incineration systems so as to improve the quality of our systems, enhance our corporate brand and maintain better relationship with our customers.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by RMB43.3 million to RMB44.9 million for the six months ended 30 June 2018 from RMB1.7 million for the six months ended 30 June 2017. Our gross profit margin increased to 24.5% for the six months ended 30 June 2018 from 6.1% for the six months ended 30 June 2017. This is mainly attributable to (i) the higher gross profit margin of our hazardous waste incineration solutions and pyrolysis solid waste treatment solution for the six months ended 30 June 2018 which accounted for 95.4% of our revenue for the six months ended 30 June 2018 since the project price of a solid waste treatment solutions is generally higher than a maintenance or technical upgrading service, taking into account the scale and complexity of the solution, the technical specifications required and its customisation; and (ii) the gross profit margin for the six months ended 30 June 2017 was particularly low as a substantial amount of revenue for the six months ended 30 June 2017 from hazardous waste incineration solutions, which contributed 81.6% of our revenue, was recognised for uninstalled equipment and according to the revenue recognition requirements of IFRS 15, gross profit margin of such revenue is subject to adjustments of which zero gross profit margin was recorded.

Other Income, Gains and Losses and Impairment Losses, Net of Reversal

Other income, gains and losses and impairment losses (net of reversal) increased by RMB3.4 million to a gain of RMB4.0 million for the six months ended 30 June 2018 from a gain of RMB0.6 million for the six months ended 30 June 2017. This increase was mainly attributable to an increase of RMB2.9 million in net foreign exchange gains due to depreciation of HK dollars against RMB which affected our monetary assets and liabilities denominated in HK dollars.

Administrative Expenses

Administrative expenses increased by RMB8.0 million to RMB11.5 million for the six months ended 30 June 2018 from RMB3.5 million for the six months ended 30 June 2017. This increase was mainly attributable to (i) an increase in staff salaries and benefits of RMB3.1 million as we have hired 16 more management, finance and administration staff for our business growth and the average salaries of our staff has generally increased for the six months ended 30 June 2018; (ii) an increase in professional fees of RMB1.8 million as we have engaged more professionals to provide consultancy services to us in relation to our business

operations, financial management and strategic development; and (iii) an increase in others of RMB1.2 million which consisted of RMB0.5 million for certain advertising activities conducted by us with an aim to enhance our corporate recognition and RMB0.7 million for other miscellaneous administrative expenses for our expanded business.

Other Expenses

Other expenses increased by RMB5.4 million to RMB8.7 million for the six months ended 30 June 2018 from RMB3.3 million for the six months ended 30 June 2017. This increase was mainly attributable to the incurrence of the [**REDACTED**] expenses for the six months ended 30 June 2018.

Share of Results of Associates

Share of results of associates decreased by 100.0% to nil for the six months ended 30 June 2018 from a loss of RMB0.4 million for the six months ended 30 June 2017. This decrease was mainly attributable to the deregistration of Yishida in January 2018.

Income Tax Expense

Income tax expense was RMB4.2 million for the six months ended 30 June 2018 compared with an income tax credit of RMB0.7 million for the six months ended 30 June 2017. This increase was mainly attributable to the increase in profit before tax for the six months ended 30 June 2018. Effective tax rate for the six months ended 30 June 2018 was 15.6%. Effective tax rate was not applicable for the six months ended 30 June 2017 as we had an income tax credit.

Profit/(loss) for The Period

As a result of the foregoing, profit for the period increased by RMB27.0 million to RMB22.6 million for the six months ended 30 June 2018 from a loss of RMB4.4 million for the six months ended 30 June 2017. The net loss as a percentage of revenue for the six months ended 30 June 2017 was 16.0% and the net profit margin for the six months ended 30 June 2018 was 12.4%.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Revenue

Revenue increased by RMB100.4 million to RMB189.4 million in 2017 from RMB89.0 million in 2016. This increase was attributable to an increase of RMB97.0 million in revenue from hazardous waste incineration solutions and an increase of RMB3.5 million in revenue from provision of other services.

Hazardous waste incineration solutions. Revenue from hazardous waste incineration solutions increased by RMB97.0 million to RMB176.1 million in 2017 from RMB79.2 million in 2016. This increase was mainly attributable to an increase in the number of hazardous waste incineration projects undertaken by us from six projects in 2016 to 13 projects in 2017 primarily due to our leading market position in the industry and a general increase in market customer demand for hazardous waste incineration systems.

Other services. Revenue from provision of other services including technical upgrading and maintenance services increased by 35.2% to RMB13.3 million in 2017 from RMB9.8 million in 2016. This is mainly attributable to an increase of RMB8.0 million in revenue from provision of technical upgrading services as the customer demand for technical upgrading of their existing hazardous waste incineration systems and cement production facilities increased, partially offset by a decrease of RMB4.5 million in revenue from provision of maintenance services as the customer demand for such services decreased.

Cost of Services

Cost of services increased by RMB67.2 million to RMB127.3 million in 2017 from RMB60.1 million in 2016. This increase was mainly attributable to an increase in our cost of equipment and materials by RMB55.8 million to RMB101.2 million in 2017 from RMB45.4 million in 2016 since we increased our procurement of equipment and other materials for installation of the hazardous waste incineration systems as part of our increased provision of hazardous waste incineration solutions in 2017.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by RMB33.3 million to RMB62.1 million in 2017 from RMB28.8 million in 2016. Our gross profit margin slightly increased to 32.8% in 2017 from 32.4% in 2016. This is mainly attributable to an increase in our gross profit margin in hazardous waste incineration solutions from 34.0% in 2016 to 34.8% in 2017 since our market competitiveness and bargaining power has increased.

Other Income, Gains and Losses and Impairment Losses, Net of Reversal

Other income, gains and losses and impairment losses (net of reversal) increased by RMB0.9 million to a gain of RMB1.6 million in 2017 from a gain of RMB0.7 million in 2016. This increase was primarily attributable to (i) an increase of RMB1.4 million in receipt of one-off government grants mainly in relation to subsidies and rewards granted for high and new technology enterprises and (ii) an increase of net foreign exchange gains of RMB0.1 million due to depreciation of HK dollars against RMB which affected our monetary assets and liabilities denominated in HK dollars, partially offset by an increase of RMB0.5 million in allowance for impairment of trade and note receivables and contract assets resulting from long outstanding balances of two maintenance projects for Dongjiang Group and an increase of RMB0.2 million in impairment loss on advance to a supplier who went bankrupt.

Administrative Expenses

Administrative expenses increased by RMB8.0 million to RMB11.7 million in 2017 from RMB3.7 million in 2016. This increase was mainly attributable to (i) an increase in staff salaries and benefits of RMB3.0 million as we had hired 15 more management, finance and administration staff for our business growth and the average salaries of our staff had generally increased in 2017; (ii) an increase in professional fees of RMB1.8 million as we had engaged more professionals to provide consultancy services to us in relation to our business operations, financial management and strategic development; and (iii) an increase in operating lease payment of RMB1.6 million as we moved to a larger office premise in 2017 in relation to our business growth and incurred more utilities.

Other expenses

Other expenses increased by RMB8.9 million to RMB14.5 million in 2017 from RMB5.6 million in 2016. This increase was mainly attributable to (i) an increase in research and development expenses as we continued our focus of research and development on hazardous waste incineration solutions and hired eight more staff in relation to this and (ii) the incurrence of the [**REDACTED**] expenses.

Share of Results of Associates

Share of results of associates decreased to a loss of RMB0.7 million in 2017 from a gain of RMB2.7 million in 2016. This decrease was mainly attributable to a loss recorded by Yishida as its contract with the project owner had expired on 23 July 2016 and therefore no revenue was recognised in 2017 while it has still incurred some staff costs and administrative expenses during the year.

Income Tax expense

Income tax expense increased by 97.2% to RMB6.6 million in 2017 from RMB3.4 million in 2016. This increase was mainly attributable to the increase in our profit before tax in 2017. Our effective tax rate increased to 18.2% in 2017 from 14.7% in 2016 due to the incurrence of [**REDACTED**] expenses which is a non-deductible tax item.

Profit for The Year

As a result of the foregoing, profit for the year increased by 52.4% to RMB29.8 million in 2017 from RMB19.5 million in 2016. Net profit margin decreased to 15.7% in 2017 from 21.9% in 2016 primarily due to the incurrence of [**REDACTED**] expenses and increase in research and development expenses and staff costs.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

Revenue increased by 18.8% to RMB89.0 million in 2016 from RMB74.9 million in 2015. This increase was attributable to an increase of RMB19.7 million in revenue from hazardous waste incineration solutions, partially offset by a decrease of RMB5.7 million in revenue from provision of other services.

Hazardous waste incineration solutions. Revenue from hazardous waste incineration solutions increased by 33.2% to RMB79.2 million in 2016 from RMB59.4 million in 2015. This increase was mainly attributable to an increase in the number of hazardous waste incineration projects undertaken by us from five projects in 2015 to six projects in 2016, in particular, from our newly obtained Hubei hazardous waste incineration project.

Other services. Revenue from provision of other services including technical upgrading and maintenance services decreased by 36.6% to RMB9.8 million in 2016 from RMB15.5 million in 2015. This is mainly attributable to a decrease of RMB9.2 million in revenue from provision of maintenance services as we have increased our focus on provision of hazardous waste incineration solutions and an increase of RMB3.5 million in revenue from provision of technical upgrading services as we have completed more hazardous waste incineration projects which led to an increase in demand of technical upgrading services of our completed hazardous waste incineration systems.

Cost of Services

Cost of services increased by 24.8% to RMB60.1 million in 2016 from RMB48.2 million in 2015. This increase was mainly attributable to an increase in our procurement of equipment and materials for Hubei hazardous waste incineration project, which started its installation of hazardous waste incineration system in 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by 8.0% to RMB28.8 million in 2016 from RMB26.7 million in 2015. However, our gross profit margin decreased to 32.4% in 2016 from 35.7% in 2015. This is mainly attributable to a decrease in gross profit margin of hazardous waste incineration solutions primarily due to our indoor hazardous waste incineration project in Karamay, Xinjiang, undertaken in 2015 for which we achieved a relatively higher gross profit margin taking into account its difficulties in indoor design and location, among other factors.

Other Income, Gains and Losses and Impairment Losses, Net of Reversal

Other income, gains and losses and impairment losses (net of reversal) recorded a gain of RMB0.7 million in 2016 compared with a loss of RMB1.5 million in 2015. This change was mainly attributable to (i) a decrease of RMB1.4 million in allowance made for impairment of trade and note receivables and contract assets as we had made more impairment provision in 2015 for a hazardous waste incineration project in Shenzhen due to its low collectability and we had only made impairment provision of RMB0.1 million for a maintenance project in 2016 and (ii) the receipt of one-off government grants of RMB0.8 million mainly in recognition of our development of intellectual properties and efforts in research and development.

Administrative Expenses

Administrative expenses increased by 58.5% to RMB3.7 million in 2016 from RMB2.3 million in 2015. This increase was mainly attributable to (i) an increase of RMB0.4 million in staff salaries and benefits as we hired one more administrative staff to manage and support our business growth and (ii) an increase of RMB0.3 million in office administrative expense which is in line with our increase in number of employees and business growth.

Other Expenses

Other expenses increased by RMB2.9 million to RMB5.6 million in 2016 from RMB2.6 million in 2015. This increase was attributable to an increase in research and development expenses due to our recruitment of 17 more technical staff to conduct research and development on hazardous waste incineration.

Share of Results of Associates

Share of results of associates increased by RMB2.2 million to RMB2.7 million in 2016 from RMB0.4 million in 2015. This increase was mainly attributable to an increase in profit and total comprehensive income of Yishida in 2016 as its revenue recognised from provision of utility by its waste heat recovery plant had significantly decreased in 2015 due to a shutdown period of seven months for reformation of production line by the customer.

Income Tax expense

Income tax expense decreased by 34.2% to RMB3.4 million in 2016 from RMB5.1 million in 2015. This decrease was mainly because our main PRC operating subsidiary, Guangzhou Weigang, became entitled to the preferential PRC income tax treatment as a "High and New Technology Enterprise" in 2016. Our effective tax rate therefore decreased to 14.7% in 2016 from 24.6% in 2015.

Profit for The Year

As a result of the foregoing, profit for the year increased by 25.0% to RMB19.5 million in 2016 from RMB15.6 million in 2015. Net profit margin increased to 21.9% in 2016 from 20.9% in 2015 primarily due to the lower effective tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are to pay for working capital needs. We met these cash requirements by relying on our cash at banks and net cash flows from operating activities as our principal source of funding. Following the completion of the [**REDACTED**], we expect our principal cash requirements will continue to be for working capital needs, as well as capital expenditures on equipment and intangible assets, and we intend to continue to fund our cash requirements through a combination of net cash flows from operating activities and [**REDACTED**] from the [**REDACTED**].

The following table sets out our selected consolidated cash flow data for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash from/(used in) operating activities	9,497	(7,623)	29,784	12,072	(60,722)
Net cash flows from/(used in) investing activities	712	1,405	(22,927)	(15,541)	(22,801)
Net cash flows (used in)/from financing activities	(6,890)	2,095	54,026	6,884	65,269
Net increase/(decrease) in cash and cash equivalents	3,319	(4,123)	60,883	3,415	(18,254)
Cash and cash equivalents at the beginning of the year/period	8,867	12,186	8,063	8,063	68,946
Cash and cash equivalents at the end of the year/period	12,186	8,063	68,946	11,478	50,692

Cash Flows from Operating Activities

Cash flows from operating activities consist of profit or loss before tax adjusted for (i) certain non-cash or non-operating activities related items, which includes share of results of associates, gain on deregistration of investment in an associate, depreciation of property, plant and equipment, amortisation of intangible asset, bank interest income, finance costs, allowance for or reversal of allowance for impairment of trade and note receivables and contract assets, impairment loss on advance to a supplier and net foreign exchange gains; (ii) the effect of changes in working capital; and (iii) income tax payment.

Net cash used in operating activities for the six months ended 30 June 2018 was RMB60.7 million, which primarily reflected our profit before tax of RMB26.8 million as mainly negatively adjusted for net foreign exchange gains of RMB3.1 million as well as changes in working capital in the amount of RMB85.8 million and income tax payment of RMB0.7 million. Such changes in working capital was primarily due to an increase in number of ongoing hazardous waste incineration projects entered into the implementation or final stage when we generally incur more cost in advance and we bill our customers according to the payment schedule stated in the contract. The changes primarily consisted of (i) an increase of RMB41.5 million in trade and note receivables as we have nine more ongoing projects during the first half of 2018 which led to an increase in amount of progress billings issued; (ii) an increase of RMB23.5 million in contract assets as we had five more ongoing hazardous waste incineration projects which were either in the implementation or final stage for the six months ended 30 June 2018 and we incurred more cost by procuring relevant equipment and materials; (iii) an increase of RMB18.7 million in deposits, prepayments and other receivables primarily resulting from an increase of RMB8.0 million in advance to supplier for our procurement of equipment and materials for our increased number of ongoing hazardous waste incineration projects; and (iv) an increase of RMB6.0 million in deposits relating to increase in number of tender bidding participated in relation to hazardous waste incineration projects. In view of our net cash used in operating activities, we will continue to uphold our cash flow management including, amongst others, (i) conducting effective and prudent forecasts of our cash flow, by closely monitoring the progress and cash flow movement for each ongoing projects; (ii) improving our capital structure by exploring financing channels such as obtaining bank credit facilities; (iii) strengthening our trade receivables management to maintain a reasonable turnover days; and (iv) negotiating with suppliers to get better payment terms such as utilising bank acceptance notes for settlement of trade payables.

Net cash from operating activities in 2017 was RMB29.8 million, which primarily reflected our profit before tax of RMB36.4 million as mainly positively adjusted for share of results of associates of RMB0.7 million, allowance for impairment of trade and note receivables and contract assets of RMB0.6 million and finance costs of RMB0.4 million and negatively adjusted for changes in working capital in the amount of RMB0.3 million and income tax payment of RMB8.4 million. Such changes in working capital primarily consisted of (i) an increase of RMB53.2 million in contract liabilities as we had four more hazardous waste incineration projects that were in the initial stage when we generally incur less cost and (ii) an increase of RMB22.9 million in trade payables as we have procured more equipment and materials for installation of the hazardous waste incineration systems for our increased number of ongoing hazardous waste incineration projects at the end of 2017, partially offset by (i) an increase of RMB36.9 million in contract assets as we had two more hazardous waste incineration projects that were either in the implementation or final stage and the contract size of such projects were larger than those in 2016 and (ii) an increase of RMB28.0 million in trade and note receivables due to an increase in our total number of hazardous waste incineration projects and amount of progress billings.

Net cash used in operating activities in 2016 was RMB7.6 million, which primarily reflected our profit before tax of RMB22.9 million as mainly negatively adjusted for a gain of RMB2.7 million recorded from share of results of associates and changes in working capital

in the amount of RMB23.3 million and income tax payment of RMB4.9 million. Such changes in working capital primarily consisted of (i) an increase of RMB23.2 million in contract assets as we had one more hazardous waste incineration projects that were either in the implementation or final stage and the contract size of such projects were larger than those in 2015 and (ii) an increase of RMB11.9 million in trade and note receivables because we had issued progress billings to two of our projects upon completion of installation at the end of 2016, partially offset by (i) a decrease of RMB7.3 million in deposits, prepayments and other receivables due to decrease in advances made to suppliers and a decrease in value-added tax receivables as we had made less advance procurement of equipment and materials at the end of 2016 as compared with 2015 and (ii) an increase of RMB6.6 million in trade payables as we procure more equipment and materials for our increased number of hazardous waste incineration projects throughout the year.

Net cash from operating activities in 2015 was RMB9.5 million, which primarily reflected our profit before tax of RMB20.7 million as positively adjusted for allowance for impairment of trade and note receivables and contract assets of RMB1.6 million and negatively adjusted for changes in working capital in the amount of RMB9.6 million and income tax payment of RMB2.7 million. Such changes in working capital was primarily due to (i) an increase of RMB9.0 million in deposits, prepayments and other receivables due to an increase in advances to suppliers and value-added tax receivables as we had made more advance payment to suppliers for procurement of equipment and materials at the end of 2015 in view of the increasing number of hazardous waste incineration projects to be implemented in the first half of 2016, (ii) an increase of RMB9.3 million in contract assets as we had one more ongoing hazardous waste incineration projects that were either in the implementation or final stage in 2015 compared with 2014, and (iii) an increase of RMB6.5 million in trade and note receivables as we had more on-going hazardous waste incineration solutions projects which we were entitled to issue process billings, partially offset by (i) an increase of RMB12.5 million in contract liabilities primarily due to a new project obtained in November 2015 which were still in its initial stage and (ii) an increase of RMB1.6 million in trade payables for our increased procurement of equipment and materials for our new projects.

Cash Flows from/used in Investing Activities

Net cash used in investing activities for the six months ended 30 June 2018 was RMB22.8 million. This mainly consisted of (i) placement of pledged bank deposits of RMB25.2 million as performance bond for our newly obtained hazardous incineration projects and (ii) purchase of and deposits paid for property, plant and equipment of RMB4.0 million primarily for the Karamay Project, which was partially offset by return of investment of RMB5.6 million upon deregistration of Yishida.

Net cash used in investing activities in 2017 was RMB22.9 million. This mainly consisted of (i) placement of pledged bank deposits of RMB17.3 million since we have placed two bank guarantees, as advances and bidding bond, upon a customer's requirement and (ii) purchase of and deposits paid for property, plant and equipment of RMB13.7 million mainly for our

Karamay Project and pyrolysis project and our own fixed assets such as computers and vehicles. The cash outflows were partially offset by withdrawal of pledged bank deposits of RMB8.4 million in relation to our bank guarantees that have been pledged as advances.

Net cash from investing activities in 2016 was RMB1.4 million. This mainly consisted of dividends of RMB1.4 million received from our associate, Yishida, and net cash inflow of RMB0.7 million on acquisition of a subsidiary, namely Xinjiang Wosen, as we have acquired the remaining 50% equity interest in it in 2016. The cash inflows were partially offset by payment of RMB0.6 million for purchase of and deposits paid for property, plant and equipment such as vehicles, computers and office furniture for our business operation and RMB0.2 million for purchase of intangible assets from South China University of Technology, a patent in relation to the design of a core equipment used in the hazardous waste incineration solutions with 53-months licence period.

Net cash from investing activities in 2015 was RMB0.7 million. This mainly consisted of dividends of RMB1.0 million received from our associate, Yishida, partially offset by payment of RMB0.4 million for purchase of and deposits paid for property, plant and equipment such as vehicles, computers and office furniture for our business operation.

Cash Flows from/used in Financing Activities

Net cash generated from financing activities for the six months ended 30 June 2018 was RMB65.3 million. This was primarily due to (i) capital contribution of RMB94.4 million from a non-controlling shareholder of Guangzhou Weigang, Orient Landscape, in April 2018; and (ii) capital injection of RMB17.7 million from [**REDACTED**] investors. Such cash inflows were partially offset by repayment of RMB43.2 million to our shareholders, Mr. Cai and Mr. Ren and repayment of RMB2.4 million to a related party, Ms. Huang.

Net cash from financing activities in 2017 was RMB54.0 million. This was primarily due to (i) an increase in advances from our Controlling Shareholder, Mr. Cai, of RMB46.5 million in relation to our business operation and [**REDACTED**] expenses and (ii) an increase in bank borrowings and advance from bank on discounted note receivables in a total amount of RMB11.0 million, partially offset by a repayment to related parties of RMB3.0 million as we have paid the personal tax amounting to RMB1.9 million for Ms. Huang and returned the remaining advances to her which amounting to RMB1.1 million, as well as interest paid of RMB0.4 million in relation to our new bank borrowings.

Net cash from financing activities in 2016 was RMB2.1 million. This was due to an increase in advance from a related party, Ms. Huang, of RMB3.0 million, as advances for paying personal tax on behalf of her in relation to the transfer of her shares in Guangzhou Weigang to Mr. Ren, partially offset by a repayment of RMB0.9 million to our Controlling Shareholder, Mr. Cai.

Net cash used in financing activities in 2015 was RMB6.9 million. This was primarily due to a repayment of RMB6.4 million to a related party, Guangzhou Shenghui Mechanical and Electrical Equipment Limited, in connection with advances provided to us as working capital and a repayment of RMB1.7 million to our Controlling Shareholder, Mr. Cai, in connection with the advances from him for our business operations, partially offset by the advances of RMB1.2 million from Mr. Cai for our business operations.

NET CURRENT ASSETS

The following table sets out our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current Assets					
Inventories	29	7	22	938	1,735
Trade and note receivables	18,331	30,343	57,783	101,376	100,361
Deposits, prepayments and other receivables	13,444	9,320	23,181	41,918	86,248
Contract assets	9,274	32,452	69,372	91,008	149,275
Pledged bank deposits	–	–	8,888	8,388	9,251
Bank balances and cash	12,186	8,063	68,946	50,692	20,860
	53,264	80,185	228,192	294,320	367,730
Current liabilities					
Trade payables	3,390	9,994	32,870	32,579	54,235
Other payables and accrued expenses	4,147	8,060	9,514	9,342	6,917
Contract liabilities	17,728	14,589	67,779	67,764	116,992
Amounts due to shareholders	1,905	1,000	93,994	–	–
Amount due to a related party	–	3,000	2,524	–	–
Income tax payable	3,831	1,800	675	4,780	730
Bank borrowings	–	–	1,000	10,000	10,000
	31,028	38,443	208,356	124,465	188,874
Net current assets	22,236	41,742	19,836	169,855	178,856

We had net current assets as at each of 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018. Our net current assets position as at each of these dates was mainly attributable to our trade and note receivables, deposits, prepayments and other receivables, contract assets and bank balances and cash, partially offset by our trade payables, other payables and accrued expenses, contract liabilities and income tax payable. Our net current assets increased to RMB178.9 million as at 31 October 2018 from RMB169.9 million as at 30 June 2018 was primarily due to an increase in current assets, in particular contract assets and deposits, prepayments and other receivables, partially offset by an increase in trade payables

and contract liabilities, all of which was mainly attributable to an increase in number of solid waste treatment projects undertaken by us. Our net current assets amounted to RMB169.9 million as at 30 June 2018, compared to RMB19.8 million as at 31 December 2017. This increase in net current assets was mainly attributable to (i) a significant increase in trade and note receivables, deposits, prepayments and other receivables and contract assets due to the increase in number of solid waste treatment projects undertaken by us and (ii) a significant decrease in amounts due to shareholders as we have paid the consideration due to Mr. Cai for the acquisition of his equity interest in Guangzhou Weigang and part of the amounts due to Mr. Cai and Mr. Ren have been capitalised during the Reorganisation. Our net current assets decreased to RMB19.8 million as at 31 December 2017 from RMB41.7 million as at 31 December 2016 primarily due to (i) an increase in amounts due to shareholders as Mr. Cai and Mr. Ren made certain advances to us in 2017 primarily for acquisition of shares in Guangzhou Weigang and consideration payables in connection with the Reorganisation and [**REDACTED**] expenses incurred and (ii) an increase in contract liabilities, partially offset by an increase in bank balances and cash, trade and note receivables and contract assets. Our net current assets as at 31 December 2016 increased to RMB41.7 million from RMB22.2 million as at 31 December 2015 primarily due to (i) an increase in contract assets due to the progress of our on-going projects and (ii) an increase in trade and note receivables as we had more on-going hazardous waste incineration projects of which we were entitled to issued progress billings, partially offset by an increase in trade payables and contract liabilities.

SUFFICIENT WORKING CAPITAL

We had net cash inflows from operating activities for the years ended 31 December 2015 and 2017 and net current assets as at each of 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018. Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this document, taking into account our cash flows from operating activities and the estimated [**REDACTED**] from the [**REDACTED**].

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Inventories comprise spare parts and other materials that we mainly use for provision of technical upgrading and maintenance services. As we generally place procurement orders in accordance with the specific project design and require our suppliers to deliver the equipment and materials to our customers' sites for further installation and integration of the hazardous waste incineration projects, we do not keep inventories of such equipment and materials in-house. The following table sets out our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories				
Spare parts and other materials	29	7	22	938

Trade and Note Receivables

Trade and note receivables represent the amounts receivable from customers in connection with our sales of services to customers. We require most of our customers to make payment in advance which represent 10% to 15% of the total contract amount and the remaining amount shall be paid by instalments with reference to the progress of the project in accordance with the project contract. The last 5% to 10% of the contract amount is typically retained by our customers and will be paid upon the end of the warranty period. We record our trade receivables upon issuance of billing request in accordance with the payment schedule stated in the relevant contract and based on the stage of completion of the project which is agreed by both the customer and our staff. However, we generally only issue our invoice after our customers have cleared their internal procedures for our relevant billing request, which may take an extended period of time. The time lapse from the issuance of billing requests to the issuance of relevant invoices varies widely by project and in certain cases may take as long as approximately ten months, depending on our customers' internal procedures for endorsement of such billings requests. We generally did not set specific credit period to our customers except for a customer with credit period of 42 days and they generally settle payment by wire transfer. The following table sets out our trade and note receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	21,940	34,081	53,795	98,794
Less: allowance for impairment	(3,609)	(3,738)	(4,322)	(2,245)
	18,331	30,343	49,473	96,549
Note receivables	–	–	8,310	4,827
Total trade and note receivables	18,331	30,343	57,783	101,376

Trade Receivables

The increase in trade receivables from RMB53.8 million as at 31 December 2017 to RMB98.8 million as at 30 June 2018 was primarily due to an increase in our total number of ongoing hazardous waste incineration projects from 10 projects as at 31 December 2017 to 19 projects as at 30 June 2018 as well as our first pyrolysis solid waste treatment project which led to an increase in both the number and amount of progress billings issued by us during the six months ended 30 June 2018. The increase in trade receivables from RMB34.1 million as at 31 December 2016 to RMB53.8 million as at 31 December 2017 was primarily due to an increase in our total number of ongoing hazardous waste incineration projects from five projects as at 31 December 2016 to 10 projects as at 31 December 2017 and the increase in contract size of our projects in 2017 which led to an increase in the number and the amount of our progress billings issued. The increase in trade receivables from RMB21.9 million as at 31 December 2015 to RMB34.1 million as at 31 December 2016 was primarily attributable to the increase in number of progress billings that we have issued as we have completed installation for two of our projects in 2016.

We seek to maintain strict control over our outstanding trade receivables. Overdue balances are reviewed regularly by senior management. The following table sets out an aged analysis of our trade receivables net of allowance for impairment, based on payment schedule or invoice date stated in the contracts, as at the dates indicated and our average trade receivables turnover days for the periods indicated:

	As at/Year ended 31 December			As at/ Six months ended 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	11,875	21,448	30,522	84,410
91 to 180 days	–	2,792	17,380	1,221
181 to 365 days	3,178	180	648	9,934
Over 365 days	3,278	5,923	923	984
	18,331	30,343	49,473	96,549
Average trade receivables turnover days[(1)]	77.3	99.8	76.9	72.2

Note:

(1) Average trade receivables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue for the relevant period and then multiplied by the number of days in the relevant period.

Average trade receivables turnover days indicates the average time required for us to collect cash payments from sales. The average trade receivables turnover days increased from 77.3 days in 2015 to 99.8 days in 2016, as we issued progress billings for two of our projects upon completion of installation at the end of 2016 and such trade receivables have not yet been recovered as at 31 December 2016. The average trade receivables turnover days decreased from 99.8 days in 2016 to 76.9 days in 2017 as we have spent more efforts in collecting trade receivables in a timely manner. The average trade receivables turnover days decrease from 76.9 days in 2017 to 72.2 days for the six months ended 30 June 2018 was primarily due to our continuous efforts in collecting trade receivables from customers.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, our trade receivables that were past due but not impaired amounted to RMB18.3 million, RMB30.3 million, RMB49.5 million and RMB83.4 million, respectively. These were related to a number of customers who were Independent Third Parties and for whom we considered there was no significant financial difficulty and have no historical default of payments or the overdue amounts have been substantially settled subsequent to the end of the relevant reporting period. Please refer to Note 20 to the Accountant's Report in Appendix I to this document for an aged analysis of these amounts.

We make impairment provisions of trade receivables and our management make periodic judgement on impairment of overdue receivables based on the likelihood of collectability. During the Track Record Period, our impairment provisions were either made on an individually-determined basis or an individual credit rating assessment basis using a provision matrix with appropriate groupings in accordance with our credit policy. For details of our credit policy, see "– Quantitative and Qualitative Disclosures about Market Risks – Credit Risk". Our Directors estimate our impairment provisions using a lifetime expected credit losses model and our trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward looking estimates. We assessed our impairment provisions based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. Our balances of allowance for impairment of our trade receivables made on an individually-determined basis amounted to RMB3.6 million, RMB3.7 million, RMB4.3 million and RMB1.1 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively and are all individually impaired. These balances were related to relatively long-aging trade receivables beyond one year from four customers in relation to certain maintenance, technical upgrading and hazardous waste incineration projects and have not been subsequently settled. Such long outstanding balances were primarily due to prolonged internal procedures of the relevant customers and staff changes of certain customer resulting in longer processing time for invoice settlement. Other than these, we grouped our remaining trade receivables as at 30 June 2018 and made impairment provisions of RMB1.2 million based on an individual credit rating assessment which has different estimated loss rates. Our Directors considered that the additional expected credit loss allowance on trade receivables for the year ended 31 December 2017 is not significant based on the internal credit rating assessment on individual assessment.

The following table sets out the breakdown of our outstanding trade receivables subject to impairment and our cumulative impairment provisions made individually by customers as at the dates indicated:

	As at 31 December 2015		
Customer Name	**Outstanding trade receivables subject to impairment** *RMB'000*	**Cumulative impairment provision made** *RMB'000*	**Related projects**
Customer B	7,371	2,217	Various maintenance projects
Customer L	4,658	1,392	A hazardous waste incineration project in Shenzhen
	12,029	3,609	

	As at 31 December 2016		
Customer Name	**Outstanding trade receivables subject to impairment** *RMB'000*	**Cumulative impairment provision made** *RMB'000*	**Related projects**
Customer B	3,641	2,346	Various maintenance projects
Customer L	4,658	1,392	A hazardous waste incineration project in Shenzhen
	8,299	3,738	

	As at 31 December 2017		
Customer Name	**Outstanding trade receivables subject to impairment** *RMB'000*	**Cumulative impairment provision made** *RMB'000*	**Related projects**
Dongjiang Group	584	584	Two maintenance projects
Customer B	2,346	2,346	Various maintenance projects
Customer L	1,392	1,392	A hazardous waste incineration project in Shenzhen
	4,322	4,322	

	As at 30 June 2018		
Customer Name	**Outstanding trade receivables subject to impairment** *RMB'000*	**Cumulative impairment provision made** *RMB'000*	**Related projects**
Customer B	973	495	Various maintenance projects
Customer L	147	147	A hazardous waste incineration project in Shenzhen
Customer J	422	422	A technical upgrading project
	1,542	1,064	

We have a delegated team to oversee our overdue debts and our Directors review the recoverable amount of each individual trade debt at the end of each reporting periods to ensure that adequate impairment provisions are made for irrecoverable amounts. Having considered (i) the continuous business relationship with our customers; (ii) our follow-up communications on settlement of invoices with our customers from time to time; and (iii) the subsequent settlements actually made by our customers, our Directors are of the view that there is no recoverability problem and we have made adequate provision for impairment of trade receivables during the Track Record Period. We continue to maintain our business relationship with Dongjiang Group, Customer B and Customer J who were our five largest customers during the Track Record Period. As at the Latest Practicable Date, we no longer had any business relationship with Customer L. During the Track Record Period and up to the Latest Practicable Date, we did not receive any disputes from our customers with regards to the trade receivable balances and we did not have any other material disputes with any of these four customers.

The total trade receivables (net of allowance for impairment) from Dongjiang Group as at 30 June 2018 amounted to RMB38.5 million, of which RMB30.9 million, or 80.3%, had been settled as at 31 October 2018. Our total trade receivables (net of allowance for impairment) as at 30 June 2018 amounted to RMB96.5 million, of which RMB76.9 million, or 79.6%, had been settled as at 31 October 2018. The remaining RMB19.6 million or 20.4%, is expected to be settled by 2018.

Note receivables

Note receivables are bank acceptance notes with an average aging between 30 to 90 days based on the issuance date. Our note receivables was nil, nil, RMB8.3 million and RMB4.8 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. As at 31 December 2017, RMB5.5 million was endorsed to settle trade payables and RMB1.0 million was discounted to bank, which were not derecognised until the maturity date of the endorsed and discounted notes. As at 30 June 2018, all of note receivable were endorsed to settle trade payables and were not derecognised until the maturity date of the notes. We did not make any impairment allowance as there is no significant change in credit quality and the balances are considered fully recoverable.

Deposits, Prepayments and Other Receivables

Deposits, prepayments and other receivables consist of (i) advances to suppliers which are mainly advance payment to our vendors prior to delivery for manufacturing of equipment and materials or provision of services less impairment loss on advance to a supplier; (ii) deferred issue cost; (iii) prepaid [**REDACTED**] expenses; (iv) deposits for tender bidding; (v) other deposits for office and other leases; (vi) value-added tax receivables primarily resulting from procurement of equipment and materials which were eligible for value-added tax deduction in the future; (vii) advances to third parties; (viii) staff advances; and (ix) others. The following table sets out the breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances to suppliers	9,857	5,811	18,842	26,794
Less: impairment loss on advance to a supplier	–	–	(183)	(183)
	9,857	5,811	18,659	26,611
Deferred issue cost	–	–	2,036	3,788
Prepaid [**REDACTED**] expenses	–	–	–	262
Deposits for tender bidding	50	50	510	6,550
Other deposits	65	82	377	1,039
Value-added tax receivables	3,455	–	384	2,982
Advances to third parties	–	3,200	–	–
Staff advances	–	144	889	497
Others	17	33	326	189
	13,444	9,320	23,181	41,918

The increase in deposits, prepayments and other receivables from RMB23.2 million as at 31 December 2017 to RMB41.9 million as at 30 June 2018 was primarily due to (i) an increase of RMB8.0 million in advances to suppliers since we had an increasing need for procurement of equipment and materials for installation of hazardous waste incineration systems for our increasing number of projects; (ii) an increase of RMB6.0 million in deposits for the increasing number of tender bidding participated in relation to hazardous waste incineration projects; and (iii) an increase of RMB2.6 million in value-added tax receivables in relation to our increased procurement of equipment and materials for our projects. The increase in deposits, prepayments and other receivables from RMB9.3 million as at 31 December 2016 to RMB23.2 million as at 31 December 2017 was primarily due to an increase of RMB12.8 million in advances to suppliers since our need for procurement of equipment and materials has increased in connection with our increase in number of projects. The decrease in deposits, prepayments and other receivables from RMB13.4 million as at 31 December 2015 to RMB9.3 million as at 31 December 2016 was primarily due to a decrease of RMB4.0 million in advances to suppliers and a decrease of RMB3.5 million in value-added tax receivables. Such decrease in advances to suppliers was mainly due to our relatively large amount of advance payments made to suppliers in 2015. We increased our procurement of equipment and materials at the end of 2015 in view of the increasing number of hazardous waste incineration projects to be implemented in the first half of 2016. Our value-added tax receivables decreased as we did not have any excess of value-added tax input as at 31 December 2016. We had an excess of value-added tax input yet to be deducted as at 31 December 2015 since we procured more equipment and materials at the end of 2015 for preparation of projects implementation in the first half of 2016. The decrease in deposits, prepayments and other receivables is partially offset by an increase of RMB3.2 million in advances to two third parties which were brought over from the acquisition of Xinjiang Wosen.

Trade Payables

Trade payables represent the amounts due to our suppliers. Our suppliers generally do not grant a specific credit terms to us. The following table sets out our trade payables as at the dates indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,390	9,994	32,870	32,579

The decrease in trade payables from RMB32.9 million as at 31 December 2017 to RMB32.6 million as at 30 June 2018 was primarily due to our efforts to expedite the payment to suppliers in order to speed up the project progress. The increase in trade payables from RMB10.0 million as at 31 December 2016 to RMB32.9 million as at 31 December 2017 was primarily due to the general increase in procurement of equipment and materials for installation of hazardous waste incineration systems which was in line with our growth in number of ongoing projects from five projects at the end of 2016 to 10 projects at the end of 2017. The increase in trade payables from RMB3.4 million as at 31 December 2015 to RMB10.0 million as at 31 December 2016 was primarily due to an increase in our procurement of equipment and materials, as well as sub-contracting services which was generally in line with our expanded business and number of ongoing projects at the end of 2015.

The following table sets out an aged analysis of our trade payables as at the dates indicated, and our average trade payables turnover days for the periods indicated:

	As at/Year ended 31 December			As at/ Six months ended 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	2,554	7,625	30,729	27,564
91 to 180 days	418	1,455	824	2,430
181 to 365 days	383	824	16	1,926
Over 365 days	35	90	1,301	659
	3,390	9,994	32,870	32,579
Average trade payables turnover days[(1)]	19.7	40.6	61.4	42.9

Note:

(1) Average trade payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of services for the relevant period and then multiplied by the number of days in the relevant period.

Average trade payables turnover days indicates the average time we take to make cash payments to suppliers. The general increase in average trade payables turnover days during the Track Record Period was primarily due to the increase in procurement of equipment and materials for our increased hazardous waste incineration projects which require a longer time for our finance department to arrange for payment. The decrease for the six months ended 30 June 2018 was primarily due to our efforts of expediting our payment procedures in order to speed up the project progress.

Our trade payables as at 30 June 2018 amounted to RMB32.6 million, of which RMB26.5 million, or 81.3%, had been settled as at 31 October 2018.

Other Payables and Accrued Expenses

Other payables and accrued expenses represent (i) accrued [**REDACTED**] expenses; (ii) other tax payables mainly relating to value-added tax and stamp duty; (iii) accrued staff costs; (iv) consideration payables for acquisition of an associate or a subsidiary, namely Xinjiang Wosen; and (v) other accruals. The following table sets out our other payables and accrued expenses as at the dates indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued [**REDACTED**] expenses	–	–	1,635	4,324
Other tax payables	2,017	2,172	3,565	2,240
Accrued staff costs	657	1,697	3,663	1,847
Consideration payables for acquisition of an associate or a subsidiary	1,500	4,000	–	–
Others	–	191	651	931
	4,174	8,060	9,514	9,342

The decrease in other payables and accrued expenses from RMB9.5 million as at 31 December 2017 to RMB9.3 million as at 30 June 2018 was primarily due to (i) a decrease of RMB1.8 million in accrued staff costs as such costs had not included the year end bonus and (ii) a decrease of RMB1.3 million in other tax payables, which was partially offset by an increase of RMB2.7 million in accrued [**REDACTED**] expenses. The increase in other payables and accrued expenses from RMB8.1 million as at 31 December 2016 to RMB9.5 million as at 31 December 2017 was primarily due to (i) the increase in accrued staff cost as we have hired more staff in relation to our business expansion and a general increase in average salaries of our staff and (ii) the incurrence of [**REDACTED**] expenses. The increase in other payables and accrued expenses from RMB4.2 million as at 31 December 2015 to RMB8.1 million as at 31 December 2016 was primarily due to (i) an increase in consideration payables for acquisition of an associate or a subsidiary relating to our acquisition of equity interest in Xinjiang Wosen in 2015 and further acquisition of its remaining equity interest in 2016 and (ii) an increase in accrued staff costs as we have hired more staff to support our business growth and a general increase in average salaries of our staff.

Contract Assets/Liabilities

We enter into contracts with our customers whereby we recognise our revenue over time using input methods. Such methods based on the stage of completion of the contract which is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. We generally issue our billings based on the progress of the projects and the contracted payment schedule. Contract assets represent our right to consideration in exchange for services that we have transferred to a customer and is not yet unconditional, and for which we have not issued our progress billings to the customers. Such contract assets also include retention receivables held by the customers. If the progress payment exceeds the revenue recognised to date under the output method then we recognise a contract liability for the difference. Such contract liabilities also include advances from customers for the commissioning of our projects. Our contract asset/liabilities are generally affected by the value of contract work performed and the timing of issuance of progress billings. Therefore, these balances vary from time to time as at the end of each reporting period. We generally record contract liabilities during the initial stage including solution design and signing of project contracts and procurement contracts, when revenue recognised base on the cost incurred for the work performed is typically less than the progress billing in accordance to the contracted payment schedule. We generally record contract assets during the project implementation stage including procuring all necessary equipment and materials, installation, system integration, testing and debugging, and final stage including examination, final acceptance from customers and warranty period, when revenue recognised based on the cost incurred for the work performed exceeds the progress billing in accordance with the contracted payment schedule.

During the Track Record Period, our contract assets and contract liabilities increased significantly as (i) we continued to obtain new hazardous waste incineration projects which led to an increase in total number of on-going projects; and (ii) our contract size of hazardous waste incineration projects increased from a range between RMB34.5 million and RMB35.4 million in 2015 to a range between RMB36.0 million and RMB94.7 million for the six months ended 30 June 2018. Our contract assets arose from three, five, eight and 12 hazardous waste incineration projects as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively, of which those projects were mainly in their implementation or final stages, or warranty periods. During the same period, our contract liabilities arose from four, three, eight and 10 hazardous waste incineration projects as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively, of which those projects were mainly in their initial stage. The following table sets out the total contract asset/liabilities with respect to our projects in progress as at the dates indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	9,274	32,452	69,372	91,008
Contract liabilities	17,728	14,589	67,779	67,764

We had contract assets of RMB9.3 million, RMB32.5 million, RMB69.4 million and RMB91.0 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, and contract liabilities of RMB17.7 million, RMB14.6 million, RMB67.8 million and RMB67.8 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. The changes in such balances were mainly affected by (i) the number and contract size of ongoing projects; (ii) the status of each ongoing project as at the end of each reporting periods; (iii) the timing difference between costs incurred and issuance of progress billings in accordance to the progress of our projects and the contracted payment schedule; and (iv) adjustments arising from changes in the measure of progress of contracting work. Our Directors are of the view that our substantial amount and age of such balances during the Track Record Period was in line with the industry norm.

Contract Assets

Our contract assets of RMB91.0 million as at 30 June 2018 was mainly attributable to (i) an increase in number of ongoing hazardous waste incineration projects and (ii) certain projects in progress with contract work performed for which yet to be billed as at 30 June 2018, such as Shangdong Weifang hazardous waste incineration project, Fujian Quanzhou hazardous waste incineration project, Hebei Hengshui hazardous waste incineration project and Jiujiang hazardous waste incineration project. Up to 31 October 2018, RMB27.4 million, representing 30.1% of the contract assets as at 30 June 2018 were subsequently billed and remain unsettled. According to Frost & Sullivan, it is common for a centralised hazardous waste incineration project to take eight to 12 months for equipment installation, three to six months for applications for government approvals and permits, such as fire services inspection and trial operation permits, and another three to six months for trial operation, system functionality evaluation, environment impact assessment and issuance of final acceptance certificate by customers. Such timeline may also be affected by various uncertain factors such as passing environmental impact assessment and obtaining relevant administration permits from the government authorities, according to Frost & Sullivan.

The following table sets out a breakdown of the balance and subsequent billing of our contract assets as at 30 June 2018 by project:

	As at 30 June 2018 *RMB'000*	**Project Stage as at 30 June 2018**	**Subsequent billing up to 31 October 2018** *RMB'000*	**Expected dates of issuance of next progress billing**
Shandong Weifang hazardous waste incineration project [(1)]	23,271	Final stage	–	Q2 2019
Fujian Quanzhou hazardous waste incineration project	12,009	Final stage	4,100	Q4 2018
Hebei Hengshui hazardous waste incineration project	10,281	Final stage	5,500	Q4 2018
Jiujiang hazardous waste incineration project	9,870	Implementation stage	6,150	Q1 2019

	As at 30 June 2018 *RMB'000*	Project Stage as at 30 June 2018	Subsequent billing up to 31 October 2018 *RMB'000*	Expected dates of issuance of next progress billing
Jiangxi Ganzhou hazardous waste incineration project [(2)]	7,858	Final stage	–	Q1 2019
Solid Waste Comprehensive Treatment Centre of Qingyuan Overseas Chinese Industrial Park hazardous waste incineration project	6,664	Final stage	3,545	Q1 2019
Hubei hazardous waste incineration project	4,797	Final stage	4,797	N/A
Jiangmen Project [(3)]	3,466	Implementation stage	–	Q2 2019
Yancheng hazardous waste incineration project [(4)]	3,109	Warranty period	–	Q1 2019
Fujian Nanping hazardous waste incineration project	2,936	Implementation stage	2,936	Q4 2018
Zhuhai Doumen District hazardous waste incineration project [(5)]	2,587	Warranty period	–	Q1 2019
Industrial Solid Waste Treatment Centre of Jiangxi Province hazardous waste incineration project[(6)]	394	Warranty period	–	Q1 2019
Shanghai hazardous waste incineration project	403	Implementation stage	403	Q4 2018
Various technical upgrading projects [(7)]	3,267	Three projects during warranty period and two ongoing projects	–	Q1 2019
Various maintenance projects [(8)]	96	Three projects during warranty period	–	One in Q1 2019 Two in Q2 2019
	91,008		27,431	

Notes:

(1) Subsequent billing of Shangdong Weifang Hazardous waste incineration project up to 31 October 2018 amounted to nil as the project was at the final stage pending system functionality evaluation. As at the Latest Practicable Date, the project was in the process of trial operation and upon communication with such customer, our Directors expect the trial operation and system functionality evaluation to be completed in the first half of 2019 and our next progress billings to be issued in Q2 2019 as this project has two sets of facilities and needs more time for trial operation.

(2) Subsequent billing of Jiangxi Ganzhou hazardous waste incineration project up to 31 October 2018 amounted to nil as the project was at the final stage pending system functionality evaluation. As at the Latest Practicable Date, the project had just been awarded the relevant government permits and was to start trial operation and our Directors expect the next progress billing to be issued in Q1 2019 as the trial operation and system functionality evaluation usually take three to six months.

(3) Subsequent billing of Jiangmen project up to 31 October 2018 amounted to nil as the project was our first pyrolysis project which needs more time for system integration and commissioning. Jiangmen project was in the research and solution design stage in 2017 and commenced construction in 2018. As at the Latest Practicable Date, the project was still under equipment installation which generally requires ten to 12 months. The installation is expected to be completed in Q2 2019 and our Directors expect the next progress billing to be issued by then.

(4) Subsequent billing of Yancheng hazardous waste incineration project up to 31 October 2018 amounted to nil as the project was in its warranty period until December 2018. Our Directors expect the next progress billing to be issued upon completion of the warranty period in Q1 2019.

(5) Subsequent billing of Zhuhai Doumen District hazardous waste incineration project up to 31 October 2018 amounted to nil as the project was in its warranty period until December 2018. Our Directors expect the next progress billing to be issued upon completion of the warranty period in Q1 2019.

(6) Subsequent billing of Industrial Solid Waste Treatment Centre of Jiangxi Province hazardous waste incineration project up to 31 October 2018 amounted to nil as the project was completed with the lapse of warranty period. As a certain equipment provided by the supplier was claimed by the customer to have some defects, we were in the process of liaising with the supplier to replace such equipment as at the Latest Practicable Date. Our Directors expect the next progress billing to be issued upon resolution of such issue in Q1 2019.

(7) These were related to various technical upgrading services provided such as wet scrubbing or enhancement of our hazardous waste incineration system in Hubei, Guangdong, Jiangxi and Xinjiang. Subsequent billing of these projects up to 31 October 2018 amounted to nil as three of these projects were in their warranty periods until October 2018, November 2018 and December 2018, respectively, and two of the projects were ongoing and are expected to be completed within 2018. Therefore, our Directors expect the next progress billings of these projects to be issued in Q1 2019.

(8) These were related to various maintenance services provided to our hazardous waste incineration systems in Hubei, Guangdong and Jiangxi. All of these projects were in their warranty periods until December 2018, April 2019 and April 2019, respectively. Our Directors therefore expect one progress billing of these projects to be issued in Q1 2019 while the other two progress billings to be issued in Q2 2019.

The following table sets out an ageing (based on date of recognition) and subsequent billing analysis of our contract assets as at 30 June 2018:

	As at 30 June 2018 *RMB'000*	**Subsequent billing up to 31 October 2018** *RMB'000*
Within 90 days	42,025	13,593
91 to 180 days	3,387	47
181 to 365 days	40,659	9,269
Over 365 days	4,937	4,522
	91,008	27,431

As at 30 June 2018, RMB45.6 million of our contract assets was aged over 180 days. RMB6.5 million of such contract assets was warranty retention generally with a warranty period of one year and the rest RMB39.1 million was primarily related to Hubei Hazardous waste incineration project, Shandong Weifang hazardous waste incineration project, Hebei Hengshui hazardous waste incineration project and Solid Waste Comprehensive Treatment Centre of Qingyuan Overseas Chinese Industrial Park hazardous waste incineration project which were in their final stage pending examination or issuance of final acceptance certificates by the customer. These projects had prolonged payment schedules since the relevant customers required more time for applications of the relevant government administrative permits, trial operation, system functionality evaluation and environment impact assessment before they can issue the final acceptance certificates to us.

Retention receivables

Retention receivables are the balances held by our customers under the project contracts which are interest-free and are part of contract assets. We generally provide our customers with one to two years warranty period. Upon the expiration of retention period, if the relevant hazardous wastage processing plant has met the requirements listed in the contract and the customer has done a final inspection, an acceptance certificate will be provided by the customer and the retention should be paid within the term specified in the project contract.

Our retention receivables (net of allowance for impairment) amounted to RMB1.0 million, RMB3.8 million, RMB9.4 million and RMB6.6 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. The general increase in our retention receivables during the Track Record Period was primarily due to an increase in our total number of completed hazardous waste incineration projects. The decrease of RMB2.8 million as at 30 June 2018 was primarily due to receipt of retention receivables from a customer.

Contract assets including retention receivables are subject to expected credit losses assessment. For further details, see "– Quantitative and Qualitative Disclosures about Market Risks – Credit Risk".

Contract liabilities

Our contract liabilities of RMB67.8 million as at 30 June 2018 was mainly attributable to an increase in number of ongoing hazardous waste incineration projects obtained in the first half of 2018 and such projects were at the initial stage as at 30 June 2018, such as Yantai hazardous waste incineration project and Suzhou Industrial Park solid waste comprehensive treatment project. Advances from customers amounted to RMB6.9 million, RMB0.1 million, RMB39,000 and RMB86,000 as at 31 December 2015, 2016 and 2017 and 30 June 2018. The large amount of advances from customers as at 31 December 2015 was related to advances received for one of our hazardous waste incineration project which was yet to be recognised as revenue. Up to 31 October 2018, RMB23.2 million, representing 34.3% of the contract liabilities as at 30 June 2018 were subsequently utilised. According to Frost & Sullivan, it is common for a centralised hazardous waste incineration project to take three to six months for initial work before project implementation such as solution design and signing of project contracts and procurement contracts. Such timeline may be affected by the scale and complexity of the project, according to Frost & Sullivan.

The following table sets out a breakdown of the balance and subsequent utilisation of our contract liabilities as at 30 June 2018 by project:

	As at 30 June 2018 *RMB'000*	Subsequent utilisation up to 31 October 2018 *RMB'000*
Yantai hazardous waste incineration project[(1)]	12,682	–
Suzhou Industrial Park solid waste comprehensive treatment project	11,316	7,295
Shaoxing hazardous waste incineration project[(2)]	9,907	210
Hubei Yaojiagang industrial waste treatment and utilisation project I[(3)]	9,828	212
Suzhou hazardous waste incineration project[(4)]	4,764	–
Hebei Tangshan hazardous waste incineration project	4,398	4,398
Nantong hazardous waste incineration project	4,237	4,237
Xiamen hazardous waste incineration project[(5)]	4,132	451
Fuzhou hazardous waste incineration project	4,012	4,012
Taixing Economic Development Zone hazardous waste incineration project	1,303	1,303
Yancheng technical upgrading project	1,099	1,099
Various maintenance projects[(6)]	86	–
	67,764	23,217

Notes:

(1) Subsequent utilisation of this project up to 31 October 2018 amounted to nil as the counterparty was undergoing internal work-site safety rectification process on its projects in general which had delayed the contract work to be performed by us for this project. The work-site safety rectification work undertaken by our customer started in December 2017 and as at the Latest Practicable Date, the rectification process was still on-going. Upon communication with our customer, the date of resume of implementation of this project is uncertain.

(2) Subsequent utilisation of this project up to 31 October 2018 was relatively low as it was a newly obtained project in May 2018 and was in the stage of finalising solution design and signing of procurement contracts as at the Latest Practicable Date. Our Directors expect such contract liabilities to be utilised upon commencement of the implementation stage which is expected to be December 2018.

(3) Subsequent utilisation of this project up to 31 October 2018 was relatively low as it was a newly obtained project in April 2018 and was in the stage of finalising solution design and signing of procurement contracts as at the Latest Practicable Date. Our Directors expect such contract liabilities to be utilised upon commencement of the implantation stage which is expected to be December 2018.

(4) Subsequent utilisation of this project up to 31 October 2018 amounted to nil as this project was terminated in 2016 due to default of contract by the counterparty. Since we had done our work and were entitled to issue the progress billings according to the payment schedule provided in the contract, we did not have any unfulfilled obligations to customers upon termination of the project. In May 2018, we brought legal proceedings against such customer to the Kunshan City People's Court to claim liquidated damages, solution design fees and indemnity and as at the Latest Practicable Date, the case was in the stage of court hearing. Pending the judgment from the court, whose date of issuance is uncertain and beyond our control, the balance of such contract liabilities will be recognised to profit or loss.

(5) Subsequent utilisation of this project up to 31 October 2018 was relatively low as it was a newly obtained project in April 2018 and was in the stage of finalising solution design and signing of procurement contracts as at the Latest Practicable Date. Our Directors expect such contract liabilities to be utilised upon commencement of the implantation stage which is expected to be December 2018.

(6) These were related to various ongoing maintenance services in connection with our hazardous waste incineration systems in Xinjiang.

The following table sets out an ageing (based on date of recognition) and subsequent utilisation analysis of our contract liabilities as at 30 June 2018:

	As at 30 June 2018	**Subsequent utilisation up to 31 October 2018**
	RMB'000	*RMB'000*
Within 90 days	50,271	23,217
91 to 180 days	10,447	–
181 to 365 days	2,282	–
Over 365 days	4,764	–
	67,764	23,217

As at 30 June 2018, RMB12.7 million of our contract liabilities was aged over 90 days and less than one year. Such contract liabilities were primarily related to Yantai hazardous waste incineration project of which the counterparty was undergoing internal work-site safety rectification process on its projects in general and had delayed the contract work to be performed by us for the project. As at 30 June 2018, RMB4.8 million of our contract liabilities were aged over one year. Such contract liabilities were related to Suzhou hazardous waste incineration project of which the project was terminated in 2016 due to a default of contract by the counterparty and we did not continue to perform our work since then.

INDEBTEDNESS

Our primary uses of cash are to satisfy our working capital and capital expenditure needs which have been primarily financed through our cash at banks and cash generated from operations. Our Directors confirmed that we did not experience any difficulty in obtaining financing during the Track Record Period.

During the Track Record Period, we obtained and made drawdown on long-term interest-bearing bank borrowings amounting to RMB10.0 million in 2017 provided by a commercial bank in China which were used as our working capital for our daily business operations. These borrowings are repayable in March 2019 and have an effective interest rate of 6.175%. Our Controlling Shareholder, Mr. Cai, and his spouse, Ms. Huang, have provided personal guarantees for such bank borrowings which will be discharged upon repayment. We also obtained an advance from another commercial bank in China in 2017 amounting to RMB1.0 million on discounted note receivables with recourse which is repayable within one year and has an effective interest rate of 5.5%. As at 31 December 2015, 2016 and 2017 and 30 June 2018, our total outstanding balance of bank borrowings and advance was nil, nil, RMB11.0 million and RMB10.0 million, respectively. The bank borrowings amounting to RMB10.0 million as at 30 June 2018 are expected to be repaid in March 2019 and the advance from bank on discounted note receivables amounting to RMB1.0 million as at 31 December 2017 had been fully settled as at 31 March 2018. As at 31 October 2018, our total outstanding balance of bank borrowings was RMB10.0 million, which remain unsecured and guaranteed.

The agreement for our bank borrowings contains certain customary financial and other covenants, such as restrictions on merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business and incurrence of further indebtedness. Our Directors confirmed that we had no defaults in payment of bank borrowings, nor any breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

Pursuant to the investment agreement entered into between Guangzhou Weigang, Weigang Holdings (Hong Kong), Jade Road, Jade Fly, WeiGang Technology and Orient Landscape dated 4 April 2018, Orient Landscape agreed, among others, to subscribe for the registered capital of RMB40,000,000 in Guangzhou Weigang, representing 10% of the equity interest in Guangzhou Weigang, at a consideration of RMB94,444,444 and it was being granted a put option. According to the put option specified in the investment agreement, if the [**REDACTED**] does not take place on or before 3 April 2020, Orient Landscape is entitled to require Weigang Holdings (Hong Kong) and Jade Road to purchase all of the equity interest in Guangzhou Weigang held by Orient Landscape at a price equal to the sum of (i) the Subscription Price plus an interest calculated at a compound rate of 8% per annum; and (ii) any declared but unpaid dividends of Guangzhou Weigang. As at 31 October 2018, our obligation arising from such put option amounted to RMB98.6 million, which was unsecured and unguaranteed. For further details, please see "History, Reorganisation And Group Structure – Reorganisation – (9) Subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape" and Note 29 to the Accountant's Report included in Appendix I to this document.

As at 31 October 2018, the aggregate amount of our credit facilities for bank acceptance notes was RMB0.9 million, which was fully utilized and secured by pledged bank deposits of the same amount. As at 31 October 2018, we had outstanding performance bonds in an aggregate amount of RMB33.6 million, all of which were secured by pledged bank deposits of the same amount.

Our Directors confirmed that, as at 31 October 2018, being the latest practicable date for the purpose of determining indebtedness, save as disclosed in "– Indebtedness" and "– Related party transactions and balances" in this document or any intra-group liabilities, we did not have any other banking facilities, unutilised banking facilities, outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding. Our Directors also confirmed that there is no material adverse change in our indebtedness position since 30 June 2018 and up to the date of this document.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for (i) acquisition of an associate/ a subsidiary, namely Xinjiang Wosen; (ii) procuring equipment such as motor vehicles and furniture and fixtures and paying deposits for equipment for our projects; and (iii) purchase of intangible asset such as patent. The following table sets out our capital expenditures for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition of an associate/a subsidiary	–	–	3,600	–
Additions of and deposits paid for property, plant and equipment	356	562	13,695	3,983
Additions of intangible assets	–	150	–	–
	356	712	17,295	3,983

We entered into equity transfer agreements with Mr. Cai and two independent third parties to acquire a 50% equity interest in Xinjiang Wosen for a total consideration of RMB2.5 million on 25 November 2015, and further acquire the remaining 50% equity interest in Xinjiang Wosen from the aforementioned independent third parties for a total cash consideration of RMB2.5 million on 13 December 2016. Out of the total consideration of RMB5.0 million resulting from the above two acquisitions, RMB1.4 million was offset by the advances to a third party brought over from Xinjiang Wosen and the remaining consideration of RMB3.6 million was fully settled by us in 2017. Xinjiang Wosen is engaged in providing solid waste treatment solutions and technical consulting service that we believe will assist us to expend our solid waste treatment solutions to customers in Xinjiang.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the carrying amount of our property, plant and equipment was RMB0.3 million, RMB0.7 million, RMB9.6 million and RMB12.3 million, respectively, which mainly consisted of motor vehicles, computers, furniture and fixtures. As at 31 December 2017 and 30 June 2018, our property, plant and equipment also consist of the equipment we brought for our Karamay Project.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the carrying amount of our intangible assets was nil, RMB0.1 million, RMB0.1 million and RMB76,000, respectively, which is a patent in relation to the design of a core equipment used in the hazardous waste incineration solutions.

For more information on the uses of our capital expenditures on purchases of items of property, plant and equipment and intangible assets during the Track Record Period, see the section headed "– Liquidity and Capital Resources – Cash Flows from Investing Activities" above.

We currently expect our capital expenditures for the year ending 31 December 2018 to be RMB49.5 million, which will be used mainly for procurement of equipment and patents in connection with our solid waste treatment projects utilising the pyrolysis and thermal desorption technology. Our Directors confirmed that the capital requirement for the future plans for capital expenditures will be financed primarily by the [**REDACTED**] from [**REDACTED**]. See "Future Plans and [**REDACTED**]" for further details.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Operating Leases

The following table sets out our contractual obligations for operating leases and their payment schedule as at 30 June 2018:

	Payment schedule		
	Within one year	**In the second to fifth year, inclusive**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Minimum lease payments under non-cancellable operating leases	2,517	5,141	7,658

As at 30 June 2018, we lease from Independent Third Parties our office premises under certain operating lease arrangements. The lease term for these properties are ranging from one to five years. The minimum lease payments which we had contracted for under non-cancellable operating leases as at 30 June 2018 were RMB7.7 million.

Capital Commitments

The following table sets out our capital commitments as at the date indicated:

	As at 30 June 2018 *RMB'000*
Commitments in respect of the acquisition of property, plant and equipment	5,207

As at 30 June 2018, we had contracted, but not provided, for an aggregate amount of RMB5.2 million as contracted commitments for additions of property, plant and equipment. These consisted mainly of payments to be made for our purchases of equipment and materials for our Karamay Project and pyrolysis project.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we had certain related party transactions and balances in our normal course of business, including (i) receiving advances from Ms. Huang for paying her personal tax on her behalf and from Mr. Cai and Mr. Ren for our Reorganisation and [**REDACTED**] expenses; (ii) consideration payable to Mr. Cai in relation to the acquisition of his equity interest in Xinjiang Wosen and Guangzhou Weigang and to Ms. Huang in relation to the acquisition of her equity interest in Guangzhou Weigang; (iii) receiving personal guarantee from Mr. Cai and Ms. Huang for our bank borrowings; and (iv) provision of compensation to key management. As at 31 December 2015, 2016, 2017 and 30 June 2018, the amounts due to shareholders and a related party were RMB1.9 million, RMB4.0 million, RMB96.5 million and nil, respectively. For more information of the related party transactions and balances, see Note 11, Note 26 and Note 28 to the Accountants' Report included in Appendix I to this document.

These related party transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that were reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. All of the outstanding amounts due to Mr. Cai, Mr. Ren and Ms. Huang are non-trade in nature and have been settled as at 30 June 2018. All of the personal guarantees provided by Mr. Cai and Ms. Huang will be discharged upon repayment of bank borrowings on 8 March 2019.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties.

OFF BALANCE SHEET TRANSACTIONS

During the Track Record Period and as at the Latest Practicable Date, we had not entered into any off balance sheet arrangements. We did not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

FINANCIAL RATIOS

The following table sets out certain financial ratios relating to our Group as at the dates or for the periods indicated:

	As at/Year ended 31 December			As at/ Six months ended 30 June
	2015	2016	2017	2018
Current ratio[(1)]	1.7	2.1	1.1	2.4
Quick ratio[(2)]	1.7	2.1	1.1	2.4
Return on assets (%)[(3)]	24.4	21.5	11.8	N/A
Return on equity (%)[(4)]	47.5	37.3	85.8	N/A
Gearing ratio (%)[(5)]	N/A	N/A	31.7	8.2

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities as at the date indicated.

(2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the date indicated.

(3) Return on assets is calculated by dividing profit for the year by total assets as at the closing of the year and multiplied by 100%.

(4) Return on equity is calculated by dividing profit for the year by total equity as at the closing of the year and multiplied by 100%.

(5) Gearing ratio is calculated by dividing total borrowings by total equity as at the date indicated and multiplied by 100%.

Current and Quick Ratios

Our current ratio as at 31 December 2015, 2016 and 2017 and 30 June 2018 was 1.7, 2.1, 1.1 and 2.4, respectively, and our quick ratio as at those dates was 1.7, 2.1, 1.1 and 2.4, respectively. Our quick ratio was similar to our current ratio as we had a relatively small amount of inventories during the Track Record Period. The general increases in current and quick ratios for the two years ended 31 December 2015 and 2016 were primarily due to the increase in current assets, in particular our trade and note receivables and contract assets due to an increase in the number of hazardous waste incineration projects undertaken by us since there was a general increase in market customer demand for hazardous waste incineration systems. The current and quick ratios decreased from 2.1 as at 31 December 2016 to 1.1 as at

31 December 2017 were primarily due to an increase in our current liabilities as our amounts due to shareholders increased in connection with certain advances obtained from Mr. Cai and Mr. Ren. The current and quick ratios increased from 1.1 as at 31 December 2017 to 2.4 as at 30 June 2018 were primarily due to (i) a significant increase in trade and note receivables, deposits, prepayments and other receivables and contract assets in relation to the increased number of solid waste treatment projects undertaken by us; (ii) repayment and capitalisation of amounts due to Mr. Cai, Mr. Ren; and (iii) repayment of amounts due to Ms. Huang.

Return on Assets

Our return on assets for the years ended 31 December 2015, 2016 and 2017 was 24.4%, 21.5% and 11.8%, respectively. The decrease in return on assets from 2015 to 2016 was primarily due to the growth of our total assets outpaced the growth of our profit for the year, which was primarily attributable to the increase in current assets such as trade and note receivables and contract assets. The further decrease in return on assets from 2016 to 2017 was primarily due to a significant increase of 178.6% in total assets, which was primarily attributable to (i) a general increase in current assets as we undertook more hazardous waste incineration projects in 2017 and (ii) an increase in non-current assets especially in property, plant and equipment and deposits for acquisition of equipment for our Jiangmen Project. This calculation is not application for the six months ended 30 June 2018 as (i) a calculation using profit for the period is not comparable to the one using profit for the year; and (ii) the profit for the period cannot be meaningfully annualised due to the fluctuation of market demand and the incurrence of one-off [**REDACTED**] expense during the six months ended 30 June 2018.

Return on Equity

Our return on equity in 2015, 2016 and 2017 was 47.5%, 37.3% and 85.8%, respectively. The decrease in return on equity between 2015 and 2016 was primarily due to a higher percentage increase in total equity than profit for the year as we had a relatively small equity base. The return on equity increased in 2017 as we had a large increase in profit for the year coupled with a decrease in total equity due to our acquisition of shares in Guangzhou Weigang from Mr. Cai, Ms. Huang and Mr. Ren in connection with the Reorganisation, for which the consideration remained outstanding as current liabilities as at 31 December 2017. For details, please refer to the consolidated statements of change in equity in the Accountant's Report included in Appendix I to this document. Following completion of the Loan Capitalisation Issue on 26 January 2018, our total equity increased from RMB34.7 million to RMB84.0 million. Had the Loan Capitalisation Issue completed as at 31 December 2017, our return on equity for the year ended 31 December 2017 would have been 35.4%. This calculation is not application for the six months ended 30 June 2018 as (i) a calculation using profit for the period is not comparable to the one using profit for the year; and (ii) the profit for the period cannot be meaningfully annualised due to the fluctuation of market demand and the incurrence of one-off [**REDACTED**] expense during the six months ended 30 June 2018.

Gearing Ratio

Our gearing ratio as at 31 December 2017 and 30 June 2018 were 31.7% and 8.2%, respectively. This decrease in gearing ratio was primarily due to a significant increase in total equity mainly driven by the capitalisation of shareholders' loan and [**REDACTED**] investments. Such calculation was not applicable for the year ended 31 December 2015 and 2016 as we did not have any borrowings for the respective periods.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. Our Directors review and agree policies for managing each of these risks.

Credit Risk

The credit risk of our financial assets mainly comprise of trade and note receivables, contract assets, bank balances and pledged bank deposits, of which the carrying amount of these balances best represents our maximum exposure to credit risk.

Our bank balances and pledged bank deposits are mainly placed in state-owned banks or reputable financial institutions with high credit rating in the PRC. We do not expect any losses from default of these banks and financial institutions due to their past history and high credit rating.

Our Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of the Company reviews the recoverable amount of each individual trade debt at the end of each reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts.

We have concentration of credit risk as 53%, 70%, 71% and 40% of our total trade and note receivables was due from the our largest customer as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. We also have concentration of credit risk as 82%, 75%, 72% and 86% of our total trade and note receivables was due from our five largest customers as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

Our Directors estimate the expected loss rate on trade and note receivables and contract assets based on the exposure to default of each customer, payment history of and existing relationship with the customer as well as study on corporate default and recovery data from international credit-rating agencies, and are adjusted for forward-looking information that is available without undue cost or effort. We rebutted the presumption of default under expected credit losses mode for trade receivables over 90 days past due based on the good payment records of and continuous business relationship with those customers. These customers are assessed individually for the credit risk based on their probability of default and exposure of default and such information is regularly reviewed by our management.

With a comprehensive credit control policy in place and on-going monitor by our Directors and financial staff, our Directors consider that our credit risks is significantly reduced. For more information, please see Note 34(b) in the Accountant's Report included in Appendix I to this document.

Liquidity Risk

To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We expect that we will be able to fund our future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions. For more analysis of the maturity profile of our remaining contractual financial liabilities based on the agreed repayment terms, please see Note 34(b) in the Accountant's Report included in Appendix I to this document.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, obligation arising from a put option and cash flow interest rate risk due to the fluctuation of market rate on variable-rate bank balances and pledged bank deposits. We currently do not have any fair value interest rate or cash flow interest rate hedging policy but our Directors will consider relevant hedging policy should the need arises.

Currency Risk

We mainly have bank balances and cash, other payables, amounts due to shareholders and amount due to a related party which are denominated in US$ and HK$, as at 31 December 2017 and 30 June 2018, that exposed us to foreign currency risk. As at 31 December 2017, our monetary assets denominated in US$ and HK$ amounted to RMB2.9 million and RMB41.0 million, respectively, and our monetary liabilities denominated in US$ and HK$ amounted to RMB2.9 million and RMB95.4 million, respectively. As at 30 June 2018, our monetary assets denominated in US$ and HK$ amounted to nil and RMB9.7 million, respectively, and our monetary liabilities denominated in US$ and HK$ amounted to nil and RMB5.0 million, respectively. If there have been a 5% weakening/strengthening of US$ and HK$ against RMB, our post tax profit for the year ended 31 December 2017 and the six months ended 30 June 2018 would increase/decrease by RMB2,040,000 and decrease/increase by RMB175,000, respectively. This is mainly attributable to our exposure to foreign currencies rates of US$ and HK$ on our bank balances and cash, other payables, amounts due to shareholders and amount due to a related party as at 31 December 2017 and HK$ on our bank balances and cash and other payables as at 30 June 2018.

DIVIDENDS AND DIVIDEND POLICY

We did not declare any dividends during the Track Record Period.

Our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, contractual restrictions, if any, as well as any other factors as it may deem relevant at such time. Any future declaration and payment as well as the amount of dividends will be subject to the provisions of (i) our Articles, which require that any final dividends, which must not exceed the amount recommended by our Board, to be approved by our Shareholders at a general meeting, and (ii) the Cayman Company Law, which provides that dividends may be paid out of sums standing to the credit of its share premium account provided that immediately following the payment of dividend, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

Based on our present financial conditions and business strategies, we currently intend, subject to the above considerations, to distribute up to 25% of our profit for the year attributable to owners of the Company from the year ending 31 December 2018 onwards. There is no assurance that we will be able to distribute dividends of such amount or any amount, or at all, in any year. In addition, the declaration and/or payment of dividends may be limited by the restrictions in our current or future financing agreements, the availability of distributable reserves and any other legal or regulatory restrictions. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. Under the applicable PRC laws, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

DISTRIBUTABLE RESERVES

As at 30 June 2018, our Company had reserves in the amount of RMB14.2 million. Such reserves were available for distribution to our Shareholders.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had obtained two new hazardous waste incineration projects with an aggregate designed disposal capacity of 50,000 tonnes per annum and an aggregate contract amount of approximately RMB105.0 million.

The total contract value to be delivered of our projects was RMB570.2 million as at 30 June 2018. The revenue to be recognised for these projects is expected to be RMB285.4 million, RMB221.4 million, RMB59.9 million and RMB3.5 million, respectively, for the six months ending 31 December 2018, 30 June 2019, 31 December 2019 and 30 June 2020.

In furtherance of our goal for customer diversification and strengthening of business relationships, we entered into a strategic cooperation agreement in 31 October 2018 with China Everbright Greentech, a PRC environmental protection service provider and a company listed on the Stock Exchange (stock code: 1257). For details, see "Business – Sales and Customers – Customer Diversification – Strategic cooperation with industry players".

[**REDACTED**] EXPENSES

During the Track Record Period, we had incurred [**REDACTED**] expenses of RMB[**REDACTED**] million, of which RMB[**REDACTED**] million was charged to our consolidated statement of profit or loss and comprehensive income and the remaining amount of RMB[**REDACTED**] million was recorded as deferred issue costs which is to be net off with share premium after the [**REDACTED**]. We expect to further incur [**REDACTED**] expenses (including [**REDACTED**] commissions) of approximately RMB[**REDACTED**] million (equivalent to HK$[**REDACTED**] million) (based on the mid-point of our indicative [**REDACTED**] range for the [**REDACTED**] and without taking into account any discretionary incentive fees, if applicable) by the completion of the [**REDACTED**], of which an estimated amount of approximately RMB[**REDACTED**] million will be charged to our consolidated statement of profit or loss and comprehensive income for the year ending 31 December 2018 and an estimated amount of approximately RMB[**REDACTED**] million will be capitalised. Given our aforementioned [**REDACTED**] expenses expected to be incurred after the Track Record Period, our financial results could be materially affected for the year ending 31 December 2018.

[**REDACTED**] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following [**REDACTED**] data relating to our adjusted consolidated net tangible assets of our Group attributable to owners of our Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set forth below to illustrate the effect of the [**REDACTED**] on our consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2018 as if the [**REDACTED**] had taken place on that date. Because of its hypothetical nature, the following [**REDACTED**] data may not give a true picture of our Group's consolidated net tangible assets attributable to owners of our Company as at 30 June 2018 or as at any future date.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 *RMB'000 Note (1)*	**Estimated [REDACTED] from the [REDACTED]** *RMB'000 Note (2)*	**[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018** *RMB'000*	**[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 per Share** *RMB Note (3)*	*HK$ Note (4)*
Based on a minimum [**REDACTED**] of HK$[**REDACTED**] (RMB[**REDACTED**]) per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 *RMB'000 Note (1)*	**Estimated [REDACTED] from the [REDACTED]** *RMB'000 Note (2)*	**[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018** *RMB'000*	**[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 per Share** *RMB Note (3)*	*HK$ Note (4)*
Based on a maximum [**REDACTED**] of HK$[**REDACTED**] (RMB[**REDACTED**]) per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The amount of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 amounting to approximately RMB101,043,000 is based on the consolidated net assets of the Group attributable to owners of the Company of RMB101,119,000 as at 30 June 2018 less intangible asset of the Group attributable to owners of the Company of RMB76,000 as at 30 June 2018 as extracted from the Accountants' Report of the Group set out in Appendix I to this document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] new Shares to be issued at a minimum [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per Share or a maximum [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per Share, respectively, after deduction of the estimated [**REDACTED**] fees and other related expenses (excluding expenses charged to profit or loss up to 30 June 2018). It does not take into account any shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or options which may be granted under the [**REDACTED**] Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate. For the purpose of calculating the estimated [**REDACTED**] from the [**REDACTED**], the translation of Hong Kong dollars into RMB was made at an exchange rate of HK$1.00 to RMB[0.84310] (being the exchange rate as at 30 June 2018). No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rate or at all.

(3) The [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis of [**REDACTED**] Shares comprising (i) [**REDACTED**] Shares in issue as at 30 June 2018; and (ii) [**REDACTED**] Shares to be issued pursuant to the [**REDACTED**]. It does not take into account any shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or options which may be granted under the [**REDACTED**] Share Option Scheme or any shares which may be issued or repurchased pursuant to the Company's general mandates.

(4) The [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the Company per Share amounts in RMB are converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB[0.84310]. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rate or at all.

(5) No adjustment has been made to the [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018. In particular, the [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 on the table above have not been adjusted to show the effect of derecognition of obligation arising from a put option as detailed in note (6) below.

(6) If the [**REDACTED**] had taken place on 30 June 2018, the obligation arising from a put option granted to a non-controlling shareholder would be extinguished and the obligation arising from a put option under non-current liabilities amounting to RMB96,123,000 would be derecognised. The [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company would increase by approximately RMB[**REDACTED**] from RMB[**REDACTED**] to RMB[**REDACTED**] based on the minimum [**REDACTED**] of HK$[**REDACTED**] (RMB[**REDACTED**]) per Share, or, from RMB[**REDACTED**] to RMB[**REDACTED**] based on the maximum [**REDACTED**] of HK$[**REDACTED**] (RMB[**REDACTED**]) per Share.

The following table illustrates the impact of the [**REDACTED**] and the derecognition of obligation arising from a put option on the [**REDACTED**] financial information had the [**REDACTED**] been completed on 30 June 2018.

	[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company taking into account the [REDACTED] and the derecognition of obligation arising from a put option as at 30 June 2018 *RMB'000*	**[REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company taking into account the [REDACTED] and the derecognition of obligation arising from a put option at 30 June 2018 per Share** *RMB*	*HK$*
Based on a minimum [**REDACTED**] of HK$[**REDACTED**] (RMB[**REDACTED**]) per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on a maximum [**REDACTED**] of HK$[**REDACTED**] (RMB[**REDACTED**]) per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Note: The [**REDACTED**] adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis of [**REDACTED**] Shares in total, assuming that the [**REDACTED**] of [**REDACTED**] new Shares had been completed on 30 June 2018. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or options which may be granted under the [**REDACTED**] Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.

All the amounts stated in this note are based on the translation of RMB to Hong Kong dollars at an exchange rate of HK$1.00 to RMB[0.84310] (being the exchange rate as at 30 June 2018). No representation is made that RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate or at all.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 30 June 2018 and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants' Report included in Appendix I to this document.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been [**REDACTED**] on the Hong Kong Stock Exchange on that date.

FUTURE PLANS

Please see "Business – Our Business Strategies" for a detailed description of our future plans.

[REDACTED]

The [**REDACTED**] from the [**REDACTED**], after deducting [**REDACTED**] fees (without taking into account any discretionary incentive fees, if applicable) and estimated expenses payable by us in connection with the [**REDACTED**], are estimated to be approximately HK$[**REDACTED**] million before any exercise of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share.

We intend to use the [**REDACTED**] that we will receive from the [**REDACTED**] for the following purposes:

- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for the continual utilisation of the pyrolysis technology for the treatment of various types of solid waste, including: (i) distributed and movable treatment of municipal solid waste by pyrolysis treatment systems installed on motor vehicles, and (ii) treatment with respect to highly cohesive organic solid waste, waste new energy batteries and waste paper residues, through collaboration with industry participants with relevant solid waste output and/or treatment needs. For more details, see "Business – Our Business Strategies – Seize more business opportunities from solid waste treatment by commercialising the pyrolysis technology to market" and "Business – Solid Waste Treatment Solutions – Pyrolysis";

- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for the establishment of a research and engineering centre in Guangdong province mainly for the use of (i) the purchase of land use right of around HK$[**REDACTED**] million; (ii) construction and reformation of office buildings and testing facilities of around HK$[**REDACTED**] million; and (iii) the purchase of research and development equipment and materials of around HK$[**REDACTED**] million. For more details, see "Business – Our Business Strategies – Establish and utilise our research and engineering centre to enhance service standards";

- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for the further commercialisation of oil sludge thermal desorption technology, and the design, investment, construction and commissioning of oil sludge thermal desorption facilities in co-operation with oil service providers mainly in Xinjiang. For more details, see "Business – Our Business Strategies – Continue to solidify our leading market position in comprehensive hazardous waste incineration and increase our market share in hazardous waste treatment" and "Business – Solid Waste Treatment Solutions – Thermal Desorption of Oil Sludge";

- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for the cooperation with cement producer(s) in China to invest in and operate the business of cement plant parallel kiln co-treatment solutions. For further details, see "Business – Our Business Strategies – Continue to solidify our leading market position in comprehensive hazardous waste incineration and increase our market share in hazardous waste treatment" and "Business – Our Business Model – Solid Waste Treatment Solutions – Cement plant parallel kiln co-treatment"; and

- approximately HK$[**REDACTED**] million (approximately [**REDACTED**]% of our total estimated [**REDACTED**]) for working capital and general corporate purposes.

We plan to use the [**REDACTED**] from the [**REDACTED**] for the above purposes in the coming three to five years.

If the [**REDACTED**] is set at the high end or low end of the indicative [**REDACTED**] range, the estimated [**REDACTED**] from the [**REDACTED**], assuming that the [**REDACTED**] is not exercised, will increase to approximately HK$[**REDACTED**] million or decrease to approximately HK$[**REDACTED**] million, respectively. In such event, we will adjust the intended use of the [**REDACTED**] for the above purposes on a pro-rata basis.

If the [**REDACTED**] is exercised in full, the estimated [**REDACTED**] from the [**REDACTED**] will increase to approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range. If the [**REDACTED**] is set at the high end or low end of the indicative [**REDACTED**] range, the estimated [**REDACTED**] from the [**REDACTED**], including the [**REDACTED**] from the exercise of the [**REDACTED**], will be approximately HK$[**REDACTED**] million or HK$[**REDACTED**] million, respectively. In each of these events, we will adjust the intended use of the [**REDACTED**] for the above purposes on a pro-rata basis.

To the extent that the [**REDACTED**] from the [**REDACTED**] are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such [**REDACTED**] into interest-bearing bank accounts with licensed banks or financial institutions.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[**REDACTED**]

The following is the text of a report set out on pages I-1 to I-93, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WEIGANG ENVIRONMENTAL TECHNOLOGY HOLDING GROUP LIMITED AND BOCI ASIA LIMITED

Introduction

We report on the historical financial information of Weigang Environmental Technology Holding Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-93, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018, the statements of financial position of the Company as at 31 December 2017 and 30 June 2018, 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 of the Group for each of the three years ended 31 December 2017 and the six months ended 30 June 2018 (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-93 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [13 December 2018] (the "Document") in connection with the initial [**REDACTED**] 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 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 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 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 31 December 2015, 2016 and 2017 and 30 June 2018, of the Company's financial position as at 31 December 2017 and 30 June 2018 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 six months ended 30 June 2017 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 Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA. 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 Hong Kong Standards on Auditing ("HKSAs") 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 purpose of the accountant's 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.

Dividend

We refer to Note 13 to the Historical Financial Information which states that no dividends have been declared or paid by the Company since its incorporation.

[**Deloitte Touche Tohmatsu**]
Certified Public Accountants
Hong Kong
[Date]

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 accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with HKSAs issued by the HKICPA ("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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*6*	74,883	88,971	189,407	27,371	183,114
Cost of services		(48,170)	(60,131)	(127,303)	(25,689)	(138,168)
Gross profit		26,713	28,840	62,104	1,682	44,946
Other income, gains and losses	*7*	113	786	2,188	600	3,821
Impairment losses, net of reversal	*10*	(1,574)	(129)	(584)	–	199
Administrative expenses		(2,342)	(3,713)	(11,743)	(3,506)	(11,484)
Other expenses		(2,633)	(5,571)	(14,473)	(3,281)	(8,650)
Share of results of associates		443	2,667	(675)	(431)	–
Finance costs	*8*	–	–	(438)	(116)	(1,991)
Profit (loss) before tax	*10*	20,720	22,880	36,379	(5,052)	26,841
Income tax (expense) credit	*9*	(5,105)	(3,357)	(6,620)	687	(4,193)
Profit (loss) for the year/period		15,615	19,523	29,759	(4,365)	22,648
Other comprehensive income (expense)						
Items that may be reclassified subsequently to profit or loss:						
Fair value gain on available-for-sale financial assets		–	–	2,084	–	–
Items that will not be reclassified to profit or loss:						
Fair value gain on equity instrument at fair value through other comprehensive income		–	–	–	–	682
Income tax relating to items that will not be reclassified to profit or loss		–	–	–	–	(692)
		–	–	2,084	–	(10)
Total comprehensive income (expense) for the year/period		15,615	19,523	31,843	(4,365)	22,638
Profit (loss) for the year/period attributable to:						
Owners of the Company		15,615	19,523	30,195	(4,204)	19,608
Non-controlling interests		–	–	(436)	(161)	3,040
		15,615	19,523	29,759	(4,365)	22,648
Total comprehensive income (expense) for the year/period attributable to:						
Owners of the Company		15,615	19,523	32,279	(4,204)	19,598
Non-controlling interests		–	–	(436)	(161)	3,040
		15,615	19,523	31,843	(4,365)	22,638
Earnings (loss) per share – Basic (RMB)	*12*	0.017	0.021	0.032	(0.004)	0.019
– Diluted (RMB)	*12*	N/A	N/A	0.032	(0.004)	0.019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2015	At 31 December 2016	At 31 December 2017	At 30 June 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	319	650	9,618	12,286
Intangible asset	*15*	–	127	93	76
Investments in associates	*16*	8,957	7,542	5,539	–
Available-for-sale investment	*17*	–	1,500	3,584	–
Equity instrument at fair value through other comprehensive income	*17*	–	–	–	4,266
Deposits for acquisition of property, plant and equipment		–	–	4,551	5,358
Pledged bank deposits	*23*	–	–	–	25,203
Deferred tax assets	*18*	1,364	838	1,476	1,460
		10,640	10,657	24,861	48,649
CURRENT ASSETS					
Inventories	*19*	29	7	22	938
Trade and note receivables	*20*	18,331	30,343	57,783	101,376
Deposits, prepayments and other receivables	*21*	13,444	9,320	23,181	41,918
Contract assets	*22*	9,274	32,452	69,372	91,008
Pledged bank deposits	*23*	–	–	8,888	8,388
Bank balances and cash	*23*	12,186	8,063	68,946	50,692
		53,264	80,185	228,192	294,320
CURRENT LIABILITIES					
Trade payables	*24*	3,390	9,994	32,870	32,579
Other payables and accrued expenses	*25*	4,174	8,060	9,514	9,342
Contract liabilities	*22*	17,728	14,589	67,779	67,764
Amounts due to shareholders	*26(a)*	1,905	1,000	93,994	–
Amount due to a related party	*26(b)*	–	3,000	2,524	–
Income tax payable		3,831	1,800	675	4,780
Bank borrowings	*28*	–	–	1,000	10,000
		31,028	38,443	208,356	124,465

	Notes	At 31 December 2015	At 31 December 2016	At 31 December 2017	At 30 June 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS		22,236	41,742	19,836	169,855
TOTAL ASSETS LESS CURRENT LIABILITIES		32,876	52,399	44,697	218,504
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*18*	–	–	–	50
Bank borrowings	*28*	–	–	10,000	–
Obligation arising from a put option	*29*	–	–	–	96,123
		–	–	10,000	96,173
NET ASSETS		32,876	52,399	34,697	122,331
CAPITAL AND RESERVES					
Share capital	*30*	10,000	10,000	–	41,413
Reserves		22,876	42,399	35,133	59,706
Equity attributable to owners of the Company		32,876	52,399	35,133	101,119
Non-controlling interests		–	–	(436)	21,212
TOTAL EQUITY		32,876	52,399	34,697	122,331

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	At 31 December 2017 RMB'000	At 30 June 2018 RMB'000
NON-CURRENT ASSETS			
Investment in subsidiaries	*43*	8	8
		8	8
CURRENT ASSETS			
Deposits, prepayments and other receivables	*21*	2,036	4,278
Amounts due from subsidiaries	*27*	–	58,858
Bank balances and cash	*23*	–	1,831
		2,036	64,967
CURRENT LIABILITIES			
Other payables and accrued expenses	*25*	1,650	5,341
Amounts due to subsidiaries	*27*	6,530	4,040
		8,180	9,381
NET CURRENT (LIABILITIES) ASSETS		(6,144)	55,586
TOTAL ASSETS LESS CURRENT LIABILITIES		(6,136)	55,594
NET (LIABILITIES) ASSETS		(6,136)	55,594
CAPITAL AND RESERVES			
Share capital	*30*	–	41,413
Reserves	*33*	(6,136)	14,181
Equity attributable to owners of the Company		(6,136)	55,594
TOTAL (DEFICIT) EQUITY		(6,136)	55,594

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital *RMB'000 (Note 30)*	**Share premium** *RMB'000*	**Other reserve** *RMB'000 Note (a)*	**Revaluation reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000 Note (b)*	**Accumulated profits RMB'000** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	10,000	–	–	–	726	6,535	17,261	–	17,261
Profit and total comprehensive income for the year	–	–	–	–	–	15,615	15,615	–	15,615
Transfer to statutory surplus	–	–	–	–	1,562	(1,562)	–	–	–
At 31 December 2015	10,000	–	–	–	2,288	20,588	32,876	–	32,876
Profit and total comprehensive income for the year	–	–	–	–	–	19,523	19,523	–	19,523
Transfer to statutory surplus	–	–	–	–	1,952	(1,952)	–	–	–
At 31 December 2016	10,000	–	–	–	4,240	38,159	52,399	–	52,399
Profit (loss) for the year	–	–	–	–	–	30,195	30,195	(436)	29,759
Other comprehensive income for the year	–	–	–	2,084	–	–	2,084	–	2,084
Total comprehensive (expense) income for the year	–	–	–	2,084	–	30,195	32,279	(436)	31,843
Transfer to statutory surplus	–	–	–	–	760	(760)	–	–	–
Arising from the group reorganisation as detailed in Note 2 ("Reorganisation")	(10,000)	–	(39,545)	–	–	–	(49,545)	–	(49,545)
At 31 December 2017	–*	–	(39,545)	2,084	5,000	67,594	35,133	(436)	34,697
Profit for the period	–	–	–	–	–	19,608	19,608	3,040	22,648
Other comprehensive expense for the period, net of income tax	–	–	–	(10)	–	–	(10)	–	(10)
Total comprehensive income (expense) for the period	–	–	–	(10)	–	19,608	19,598	3,040	22,638
Issue of ordinary shares to [**REDACTED**] investors, net of share issue cost *(Note (c))*	841	16,281	–	–	–	–	17,122	–	17,122
Issue of ordinary shares by loan capitalisation *(Note (d))*	40,572	7,302	–	–	–	–	47,874	–	47,874
Capital contribution from a non-controlling shareholder *(Note (e))*	–	–	84,000	–	(500)	(7,664)	75,836	18,608	94,444
Recognition of obligation arising from a put option *(Note (e))*	–	–	(94,444)	–	–	–	(94,444)	–	(94,444)
At 30 June 2018	41,413	23,583	(49,989)	2,074	4,500	79,538	101,119	21,212	122,331
(unaudited)									
At 1 January 2017	10,000	–	–	–	4,240	38,159	52,399	–	52,399
Loss and total comprehensive expense for the period	–	–	–	–	–	(4,204)	(4,204)	(161)	(4,365)
At 30 June 2017	10,000	–	–	–	4,240	33,955	48,195	(161)	48,034

* Less than RMB1,000

Notes:

(a) Other reserve included:

(i) the consideration of RMB35,317,000 and RMB2,524,000 for acquiring 70% and 5% equity interests in Guangzhou Weigang Environmental Protection Technology Limited ("Guangzhou Weigang") by the Group from Mr. Cai Zhuhua ("Mr. Cai") and Ms. Huang Ying ("Ms. Huang") on 5 August 2017, as detailed in Note 2 Step (x);

(ii) an amount of RMB11,704,000 representing the difference of the net liabilities of Jade Far Investment Limited ("Jade Far") which mainly comprised of a current account of RMB12,213,000 with Mr. Ren Yunan ("Mr. Ren") and the nominal value of 1,750 shares issued by the Company for the acquisition of 25% interests in Guangzhou Weigang by the Group through the acquisition of the entire interest in Jade Far from Jade Fly Investment Limited ("Jade Fly") on 8 September 2017, as detailed in Note 2 Step (xi);

(iii) the transfer of the share capital of RMB10,000,000 of Guangzhou Weigang to other reserve upon completion of the Reorganisation as detailed in Note 2; and

(iv) (1) the difference between the capital contribution from the non-controlling interests, the proportionate share of the carrying amount of the net assets of Guangzhou Weigang and the re-attribution of statutory surplus reserve and accumulated profits of Guangzhou Weigang to non-controlling interests; and (2) the recognition of obligation arising from a put option granted to the non-controlling interests of Guangzhou Weigang as detailed in note (e) as below.

(b) 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.

(c) On 13 February 2018, the Company has allotted and issued 16,155,353 ordinary shares of HK$0.05 each to two [**REDACTED**] investors for a total consideration of HK$16,991,957 (equivalent to RMB13,706,000).

On 9 April 2018, the Company has allotted and issued 4,708,647 ordinary shares of HK$0.05 each to another [**REDACTED**] investor for a total consideration of HK$5,000,000 (equivalent to RMB4,016,000).

(d) On 26 January 2018, Jade Fly has agreed to subscribe for 1,499,497,901 shares of HK$0.01 each in the share capital of the Company at the subscription price in the sum equivalent to the amount of HK$17,691,182 (equivalent to RMB14,356,000) which are to be satisfied by capitalising the loan amount of HK$17,691,182.

On 26 January 2018, WeiGang Technology Limited ("WeiGang Technology") has agreed to subscribe for 3,500,495,099 shares of HK$0.01 each in the share capital of the Company at the subscription price in the sum equivalent to the amount of HK$41,307,518 (equivalent to RMB33,518,000) which are to be satisfied by capitalising the loan amount of HK$41,307,518.

(e) On 4 April 2018, Guangzhou Weigang, WEIGANG HOLDINGS (HONG KONG) LIMITED ("Weigang Holdings (Hong Kong)"), Jade Road Investment Limited ("Jade Road"), Jade Fly, WeiGang Technology and Orient Landscape Group Environmental Protection Co., Ltd ("Orient Landscape"), an independent third party, entered into investment agreements whereby Orient Landscape agreed, among others, to subscribe for the registered capital of RMB40,000,000 in Guangzhou Weigang, for 10% of the equity interest in Guangzhou Weigang, at a consideration of RMB94,444,444. Upon completion of the subscription on 11 April 2018, an amount representing the proportionate share of the carrying amount of the net assets of Guangzhou Weigang at the date of the completion of the subscription is transferred to non-controlling interests. The difference between the capital contribution from the non-controlling interests, the proportionate share of the carrying amount of the net assets of Guangzhou Weigang and the re-attribution of its statutory surplus reserve and accumulated profits is recognised in other reserve.

On the same date, an amount representing the present value amounting to RMB94,444,444 of the amount that the Group could be required to pay to Orient Landscape pursuant to the put option over the 10% equity interest in Guangzhou Weigang held by Orient Landscape, with a corresponding debit in other reserve, is recognised in obligation arising from a put option, as detailed in Note 29.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit (loss) before tax	20,720	22,880	36,379	(5,052)	26,841
Adjustments for:					
Share of results of associates	(443)	(2,667)	675	431	–
Gain on deregistration of investment in an associate *(Note 7)*	–	–	–	–	(97)
Depreciation of property, plant and equipment	55	234	397	140	508
Amortisation of intangible asset	–	23	34	17	17
Bank interest income	(113)	(56)	(128)	(72)	(249)
Finance costs	–	–	438	116	1,991
Allowance for (reversal of allowance for) impairment of trade and note receivables and contract assets	1,574	129	584	–	(199)
Impairment loss on advance to a supplier	–	–	183	179	–
Net foreign exchange gains	–	–	(112)	–	(3,059)
Operating cash flows before movements in working capital	21,793	20,543	38,450	(4,241)	25,753
Decrease (increase) in inventories	370	22	(15)	(97)	(916)
Increase in trade and note receivables	(6,538)	(11,949)	(28,024)	(15,113)	(41,516)
(Increase) decrease in deposits, prepayments and other receivables	(9,014)	7,336	(17,244)	(18,325)	(18,737)
(Increase) decrease in contract assets	(9,274)	(23,178)	(36,920)	3,677	(23,514)
Increase (decrease) in trade payables	1,581	6,604	22,876	(4,808)	(291)
Increase (decrease) in other payables and accrued expenses	727	1,000	5,854	1,012	(772)
Increase (decrease) in contract liabilities	12,503	(3,139)	53,190	54,162	(15)
Cash generated from (used in) operations	12,148	(2,761)	38,167	16,267	(60,008)
Income tax paid	(2,651)	(4,862)	(8,383)	(4,195)	(714)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	9,497	(7,623)	29,784	12,072	(60,722)

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
INVESTING ACTIVITIES					
Purchase of and deposits paid for property, plant and equipment	(356)	(562)	(13,695)	(165)	(3,983)
Purchase of intangible asset	–	(150)	–	–	–
Repayment of advances to third party	–	–	1,800	–	–
Interest received	113	56	128	72	249
Dividends received from an associate	955	1,362	1,328	1,328	–
Net cash inflow on acquisition of a subsidiary *(Note 36)*	–	699	–	–	–
Settlement of consideration payable for acquisition of an associate/a subsidiary	–	–	(3,600)	–	–
Withdrawal of pledged bank deposits	–	–	8,388	–	500
Placement of pledged bank deposits	–	–	(17,276)	(16,776)	(25,203)
Return of investment upon deregistration of an associate *(Note 16)*	–	–	–	–	5,636
NET CASH FROM (USED IN) INVESTING ACTIVITIES	712	1,405	(22,927)	(15,541)	(22,801)
FINANCING ACTIVITIES					
Repayment to shareholders	(1,730)	(905)	–	–	(43,152)
Advance from shareholders	1,240	–	46,464	–	–
Advance from a related party	–	3,000	–	–	–
Repayment to related parties	(6,400)	–	(3,000)	(3,000)	(2,433)
Interest paid	–	–	(438)	(116)	(312)
New bank borrowings raised	–	–	11,000	10,000	–
Repayment of bank borrowings	–	–	–	–	(1,000)
Capital injection from [**REDACTED**] investors	–	–	–	–	17,722
Capital contribution from a non-controlling shareholder of Guangzhou Weigang *(Note 29)*	–	–	–	–	94,444
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(6,890)	2,095	54,026	6,884	65,269
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,319	(4,123)	60,883	3,415	(18,254)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	8,867	12,186	8,063	8,063	68,946
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD represented by bank balances and cash	12,186	8,063	68,946	11,478	50,692

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 May 2017. The immediate holding company and the ultimate holding company of the Company are WeiGang Technology and Weigang Green Technology Limited ("Weigang Green"), respectively, both of which were incorporated in British Virgin Island ("BVI") and are wholly owned by Mr. Cai, the ultimate controlling shareholder of the Group.

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the Document. The Company is an investment holding company and the principal activities of its subsidiaries are provision of comprehensive hazardous waste incineration turnkey solutions focused on the research, design, integration and commissioning of solid waste systems in the PRC.

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company.

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 conventions applicable for group reorganisation.

Pursuant to the Reorganisation as fully explained in the section "History, Reorganisation and Group Structure" to the Document and detailed below, the Company became the holding company of the companies now comprising the Group on 5 August 2017. The Company and its operating subsidiaries namely, Guangzhou Weigang and its subsidiaries (including Xinjiang Wosen Environmental Protection Technology Limited ("Xinjiang Wosen"), Shenzhen Xinnengji Technology Limited ("Shenzhen Xinnengji"), Chaozhou Xinnengji Technology Limited ("Chaozhou Xinnengji") and Guangdong Lvhuan Taian Environmental Protection Limited ("Guangdong Lvhuan")) have been under the common control of Mr. Cai throughout the Track Record Period, and before and after the Reorganisation, or since their respective dates of incorporation/establishment, where there is a shorter period.

Prior to Reorganisation, Guangzhou Weigang was owned by Mr. Cai and Ms. Huang, the spouse of Mr. Cai, at 70% and 30%, respectively and controlled collectively by them. On 8 November 2016, Ms. Huang and Jade Road, an investment holding company wholly owned by Mr. Ren, entered into an equity interest transfer agreement pursuant to which Jade Road agreed to purchase, and Ms. Huang agreed to sell 25% equity interest in Guangzhou Weigang held by Ms. Huang to Jade Road at a consideration of RMB12,100,000. Ms. Huang and Jade Road became a 5% and 25% shareholder of Guangzhou Weigang, respectively, upon completion of the transfer on 26 December 2016.

In preparation of the [**REDACTED**] of the Company's shares on the Main Board of the Stock Exchange (the "[**REDACTED**]"), the companies comprising the Group underwent the Reorganisation involving steps which include the interspersing of certain investment holding companies between Mr. Cai, Mr. Ren and Guangzhou Weigang.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the consolidated financial information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the three years ended 31 December 2017 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout these three years, or since the respective dates of incorporation, which is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities, as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

The principle steps of Reorganisation are as follows:

(i) On 3 January 2017, WeiGang Technology (acted as the immediate holding company of the Company and does not form part of the Group) was incorporated in BVI as a limited liability company with an authorised share capital of United States dollars (US$)50,000 divided into 50,000 shares of US$1 each. On the date of its incorporation, WeiGang Technology allotted and issued at par one share, representing its then entire issued share capital, credited as fully paid, to WEIGANG HOLDINGS LIMITED ("Weigang Holdings (BVI)") which was in turn wholly owned by Mr. Cai.

(ii) On 12 May 2017, Jade Fly (acted as a shareholder of the Company and does not form part of the Group) was incorporated in BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of its incorporation, Jade Fly allotted and issued at par one share, representing its then entire issued share capital, credited as fully paid, to Mr. Ren, the sole shareholder of Jade Fly and a substantial shareholder of the Company.

(iii) On 16 May 2017, Jade Far was incorporated in BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of its incorporation, Jade Far allotted and issued at par one share, representing its then entire issued share capital, credited as fully paid, to Jade Fly.

(iv) On 18 May 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of Hong Kong dollars (HK$)380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of its incorporation, the Company allotted and issued at par one share to the initial subscriber, which transferred the initial share to WeiGang Technology on the same date. In addition, 5,249 shares of HK$0.01 each were further allotted and issued at par, credited as fully paid, to WeiGang Technology.

(v) On 11 May 2017, WeiGang Environment Limited ("WeiGang Environment") was incorporated in BVI as a limited liability company but only became a member of the Group on 8 June 2017 on which WeiGang Environment allotted and issued at par one share, representing its then entire issued share capital, credited as fully paid, to the Company.

(vi) On 8 June 2017, Weigang Green (acted as the ultimate holding company of the Company and does not form part of the Group) was incorporated in BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of its incorporation, Weigang Green allotted and issued at par one share, representing its then entire issued share capital, credited as fully paid, to Mr. Cai.

(vii) On 7 July 2017, Weigang Holdings (BVI) transferred one share in WeiGang Technology, representing its then entire issued share capital, to Weigang Green in consideration of the allotment and issue of one share in Weigang Green by Weigang Green, credited as fully paid, to Mr. Cai. Following the transfer, WeiGang Technology became the directly wholly owned subsidiary of Weigang Green which is in turn directly wholly owned by Mr. Cai.

(viii) On 7 July 2017, Mr. Ren, the sole shareholder of Jade Fly and a substantial shareholder of the Company, transferred the entire issued share capital of Jade Road to Jade Far in consideration of the allotment and issue of 1,000 shares in Jade Far by Jade Far, credited as fully paid, to Jade Fly. Immediately after the completion of the transfer, Jade Road remained wholly owned by Mr. Ren through companies wholly owned by him, namely, Jade Fly and Jade Far.

(ix) On 12 July 2017, WeiGang Environment acquired 10,000 shares in Weigang Holdings (Hong Kong), representing its then entire issued share capital, from Weigang Holdings (BVI) at a consideration of HK$10,000. As a result, Weigang Holdings (Hong Kong) became indirectly wholly owned by the Company through one of its wholly owned subsidiaries, namely, WeiGang Environment.

(x) On 5 August 2017, Weigang Holdings (Hong Kong), an indirectly wholly owned subsidiary of the Company, acquired 70% and 5% equity interest in Guangzhou Weigang from Mr. Cai and Ms. Huang, the spouse of Mr. Cai, at the consideration of HK$42,250,000 (approximately RMB35,317,000) and HK$3,020,000 (approximately RMB2,524,000) respectively. Such consideration was included in the respective current accounts of Mr. Cai and Ms. Huang with the Group as set out in Note 26. Immediately upon the completion of the acquisition, Guangzhou Weigang was indirectly owned as to 75% by the Company.

(xi) On 8 September 2017, the Company acquired 1,001 shares in Jade Far, representing its then entire issued share capital, from Jade Fly in consideration of the issue and allotment of 1,750 shares of HK$0.01 each credited as fully paid by the Company to Jade Fly. As the remaining 25% equity interest in Guangzhou Weigang was owned by Jade Road and Jade Road was indirectly wholly owned by Jade Far immediately before and after the acquisition, Guangzhou Weigang became an indirectly wholly owned subsidiary of the Company as a result of the acquisition.

(xii) On 11 September 2017, WeiGang Technology (being a company wholly owned by Mr. Cai) transferred 349 Shares, representing 4.99% of the total number of the shares in issue at the time of the transfer, to Jade Fly at a consideration RMB2,584,820 in total. Immediately after the completion of the transfer, the Company was ultimately owned as to approximately 70.01% by Mr. Cai and approximately 29.99% by Mr. Ren, respectively.

(xiii) On 13 February 2018, the Company has allotted and issued 16,155,353 ordinary shares of HK$0.05 each to two [**REDACTED**] investors for a total consideration of HK$16,991,957 (equivalent to RMB13,706,000).

(xiv) On 9 April 2018, the Company has allotted and issued 4,708,647 ordinary shares of HK$0.05 each to another [**REDACTED**] investor for a total consideration of HK$5,000,000 (equivalent to RMB4,016,000).

(xv) On 4 April 2018, Guangzhou Weigang, Weigang Holdings (Hong Kong), Jade Road, Jade Fly, WeiGang Technology and Orient Landscape, an independent third party, entered into investment agreements whereby Orient Landscape agreed, among others, to subscribe for the registered capital of RMB40,000,000 in Guangzhou Weigang, representing 10% of the equity interest in Guangzhou Weigang, at a consideration of RMB94,444,444, as detailed in Note 29.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purposes 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 related interpretations ("IFRICs") (herein collectively referred to as the "IFRSs"), which are effective for the accounting period beginning on 1

January 2018, including IFRS 15 "Revenue from Contracts with Customers" and the related Amendments, throughout the Track Record Period except that the Group adopted IFRS 9 "Financial Instruments" on 1 January 2018 and adopted IAS 39 "Financial Instruments: Recognition and Measurement" prior to 1 January 2018. The accounting policies for financial instrument under IFRSs are set out in Note 4 as below.

IFRS 9 "Financial Instruments"

In the six months ended 30 June 2018, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, financial information for the six months ended 30 June 2018 may not be comparable as the financial information for each of the three years ended 31 December 2017 was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

Classification and measurement of financial assets

Summary of effects arising from initial application of IFRS 9 on 1 January 2018

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	**Carrying amounts previously reported at 31 December 2017** *RMB'000*	**Reclassification** *RMB'000*	**Carrying amounts under IFRS 9 at 1 January 2018** *RMB'000*
Non-current assets				
Available-for-sale investment	*(a)*	3,584	(3,584)	–
Equity instrument at fair value through other comprehensive income	*(a)*	–	3,584	3,584

Note:

(a) The Group elected to present in other comprehensive income for the fair value change of its equity investment previously classified as available-for-sale investment, of which approximately RMB3,584,000 related to the unlisted equity investment previously measured at fair value under IAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB3,584,000 was reclassified from available-for-sale investment to equity instrument at fair value through other comprehensive income. The fair value gains of approximately RMB2,084,000 relating to this investment previously carried at fair value as at 1 January 2018 continued to accumulate in revaluation reserve.

All other financial assets classified as loans and receivables and financial liabilities measured at amortised cost under IAS 39 continued to be measured at amortised cost under IFRS 9.

Impairment of financial assets

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial recognition of IFRS 9

The Group applies IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and note receivables and contract assets. To measure the ECL, trade and note receivables and contract assets have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward looking estimates. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets. As at 1 January 2018, the directors of the Company considered the additional ECL allowance on trade and note receivables and contract assets is not significant based on internal credit rating on individual assessment.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit rating assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks based on assessment by the management of the Group. No ECL allowance is recognised as the amount involved is insignificant.

For other receivables, the management of the Group makes periodic collective as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. No ECL allowance is recognised as the amount involved is insignificant.

New and amendments to IFRSs issued but not yet effective

At the date of this report, the Group has not early adopted the following new and amendments to IFRSs that have been issued but not yet effective.

IFRS 16	Leases[1]
IFRS 17	Insurance Contract[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2020

Except for IFRS 16 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 consolidated financial statements in the foreseeable future.

IFRS 16 "Leases"

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the

present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents other operating lease payments as operating cash flows. Upon application of 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 by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB7,658,000 as disclosed in Note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, 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. 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 year of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. Based on the facts and circumstances as at 30 June 2018, the directors of the Company do not expect the application of IFRS 16 will have material impact on the financial performance of the Group.

In addition, the Group currently considers refundable rental deposits paid of RMB474,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payment relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustment are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared 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 set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the 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 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 entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

The Group 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 Group obtains control over the subsidiary and ceases when the Group loses control the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated

statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item 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 to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

Investments in associates

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 these policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purpose is prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such

changes result in changes in ownership interest held by the Group. 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 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" 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IAS 39, 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. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate.

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.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses 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 satisfied a performance obligation

The Group recognised 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 customers.

Control of the goods or services may be transferred over time or at a point of time. Control of the goods or services is transferred over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfer over time, revenue is recognised over the period of the contract by reference to the progress toward complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources: 1) provision of hazardous waste incineration solutions services, 2) provision of pyrolysis solid waste treatment solutions services, 3) provision of technical upgrading services, and 4) provision of maintenance services.

Provision of i) hazardous waste incineration solutions services, ii) pyrolysis solid waste treatment solutions services and iii) technical upgrading services

Recognition

Provision of hazardous waste incineration solutions services and pyrolysis solid waste treatment solutions services represent the services on design, integration and commissioning of solid waste treatment systems which comprise a range of equipment and other components, on a made-to-order basis pursuant to the technical specification and requirement of the customers.

Provision of technical upgrading services represent the upgrading services provided for existing hazardous waste incineration systems and certain cement production facilities. Since the Group's performance creates and enhances an asset that the customer controls as the Group performs, revenue from these services therefore are recognised over time using input methods, i.e. based on the stage of completion of the contract, and the stage of completion of the contract is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

For warranty embedded to the contracts, the customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

Contract assets/liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. Any amount previously recognised as a contract asset is reclassified to trade and note receivables at the point at which it is invoiced to the customer. If the progress payment exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference.

Provision of maintenance services

Recognition

The Group provides maintenance services, including repair and maintenance services to customers. Income is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

Provision

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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each 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 (where the effect of the time value of money is material).

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 lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each 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.

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.

Government grants

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

Borrowing cost 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a 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.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

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/period. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each 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 bases 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the

reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 when the asset is realised or the liability is settled, based on tax rates (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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties 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 property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets 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.

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 the 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.

Intangible asset

Intangible asset with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment on tangible and intangible asset

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible asset with finite useful lives 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 asset individually, 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.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 (accounting policy applicable before 1 January 2018)

The Group's financial assets are classified into available-for-sale ("AFS") financial asset 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.

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 financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale 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 ("FVTPL").

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

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 trade and note receivables, other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see 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 where the recognition of interest would be immaterial.

Impairment of financial assets

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

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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

Financial assets (accounting policy applicable after 1 January 2018)

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the 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.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses" line item in profit or loss.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and note receivables, other receivables, pledged bank deposits and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and note receivables and contract assets. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and note receivables, and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Financial liabilities and equity instruments

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 the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables, amounts due to shareholders, amount due to a related party, amounts due to subsidiaries, bank borrowings and obligation arising from a put option) are subsequently measured at amortised cost, using the effective interest method.

Obligation arising from a put option on shares of a subsidiary written to investors

Put option written to investors, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary is treated as derivative and is recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised in profit or loss.

The gross financial liability arising from the put option is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the subsidiary. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to the other reserve. In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the written put option to the investors is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only 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 entity. 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 liability when, and only when, the Group's obligations are discharged, cancelled 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.

5. 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.

Key sources of estimation uncertainty

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/period.

Estimation uncertainty on contracts with customers

The Group recognised contract revenue and contract costs using the input method. The input method is measured by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated contract costs.

The estimate contract revenue is determined in accordance with the terms set out in the relevant contract.

The estimated total contract costs are based on contracted amount of suppliers' contracts, and in respect of amounts not contracted for, management's estimates for the amounts to be incurred taking into consideration historical trends for the amounts incurred and adjusted for any price fluctuation during the year/period, where applicable. Significant assumptions are required in estimating the total contract costs which affect the contract costs recognised to date based on the input method.

Management review the contract with customers for foreseeable losses whenever there is an indication that the estimated contract revenue is lower than the estimated contract costs. The actual outcome in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Estimated impairment of trade and note receivables and contract assets

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

Upon adoption of IFRS 9 on 1 January 2018, the management estimates the amount of loss allowance for ECL on trade and note receivables that are measured at amortised cost and contract assets based on the credit risk of the respective financial instruments and counterparty. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the trade and note receivables and contract assets. The assessment of the credit risk of the trade and note receivables and contract assets involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the total carrying amount of trade and note receivables and contract assets of the Group amounted to approximately RMB27,605,000, RMB62,795,000, RMB127,155,000 and RMB192,384,000, net of allowance for impairment of approximately RMB5,454,000, RMB5,583,000, RMB6,167,000 and RMB5,968,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of comprehensive solid waste incineration turnkey solutions focused on the research, design, integration and commissioning of solid waste systems by the Group to external customers in the PRC. The Group's revenue is derived from providing i) hazardous waste incineration solutions, ii) pyrolysis solid waste treatment solutions, iii) technical upgrading services, and iv) maintenance services in the PRC during the Track Record Period. For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision maker ("CODM"), review the financial performance of the Group as a whole prepared based on the same accounting policies set out in Note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Revenue from major services

The following is an analysis of the Group's revenue from its major services:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Recognised over time					
Hazardous waste incineration solutions	59,415	79,162	176,141	22,325	171,163
Pyrolysis solid waste treatment solutions	–	–	–	–	3,470
Technical upgrading services	–	3,492	11,445	4,549	4,979
Maintenance services	15,468	6,317	1,821	497	3,502
	74,883	88,971	189,407	27,371	183,114

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision of hazardous waste incineration solutions	50,692	66,783	281,414	569,331
Provision of pyrolysis solid waste treatment solutions	–	–	4,256	786
Provision of technical upgrading services	3,505	3,573	1,723	3,817
Provision of maintenance services	2,294	259	121	179
Total	56,491	70,615	287,514	574,113

Based on the information available to the Group at the end of each reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 31 December 2015, 2016, 2017 and 30 June 2018 will be

recognised as revenue during the years ended/ending 31 December 2016 to 31 December 2020 in respect of provision of hazardous waste incineration solutions, during the years ending 31 December 2018 in respect of provision of pyrolysis solid waste treatment solutions, during the years ended/ending 31 December 2016 to 31 December 2019 in respect of technical upgrading services and during the years ended/ending 31 December 2016 to 31 December 2019 in respect of provision of maintenance services.

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 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A *(Note i)*	59,336	83,520	135,139	18,383	68,529
Customer B *(Note ii)*	15,387	N/A *(note iii)*	N/A *(note iii)*	N/A *(note iii)*	N/A *(note iii)*
Customer C	N/A *(note iv)*	N/A *(note iv)*	29,302	5,107	N/A *(note iii)*
Customer D	N/A *(note iv)*	N/A *(note iv)*	19,110	N/A *(note iii)*	N/A *(note iii)*
Customer E	N/A *(note iv)*	N/A *(note iv)*	N/A *(note iii)*	N/A *(note iii)*	42,353
Customer F	N/A *(note iv)*	N/A *(note iv)*	N/A *(note iii)*	N/A *(note iv)*	28,272
Customer G	N/A *(note iv)*	N/A *(note iv)*	N/A *(note iii)*	N/A *(note iii)*	21,444

Notes:

(i) Customer A represented groups of subsidiaries under common control of an entity. Revenue from subsidiaries under Customer A during the Track Record Period contributed over 10% of the total revenue of the Group are as below:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Subsidiary A	29,124	N/A *(note iii)*	N/A *(note iii)*	N/A *(note iii)*	N/A *(note iii)*
Subsidiary B	16,656	15,017	N/A *(note iii)*	N/A *(note iii)*	N/A *(note iii)*
Subsidiary C	13,463	N/A *(note iii)*	N/A *(note iii)*	N/A *(note iv)*	N/A *(note iv)*
Subsidiary D	N/A *(note iv)*	29,900	N/A *(note iii)*	N/A *(note iii)*	N/A *(note iii)*
Subsidiary E	N/A *(note iii)*	30,530	N/A *(note iii)*	N/A *(note iii)*	N/A *(note iii)*
Subsidiary F	N/A *(note iv)*	N/A *(note iv)*	77,863	4,301	N/A *(note iii)*
Subsidiary G	N/A *(note iv)*	N/A *(note iii)*	32,056	9,909	N/A *(note iii)*
Subsidiary H	N/A *(note iv)*	N/A *(note iv)*	N/A *(note iii)*	N/A *(note iii)*	20,903
Subsidiary I	N/A *(note iv)*	N/A *(note iv)*	N/A *(note iii)*	N/A *(note iv)*	21,558

(ii) Customer B represented a group of subsidiaries under common control of an entity. Revenue from a subsidiary under Customer B during the Track Record Period contributed over 10% of the total revenue of the Group are as below:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Subsidiary J	11,681	N/A *(note iii)*	N/A *(note iv)*	N/A *(note iv)*	N/A *(note iii)*

(iii) Contributed less than 10% of the Group's total revenue for the relevant year/period.

(iv) No revenue attributed from the respective customers for the relevant year/period.

Geographical information

The Group primarily operates in the PRC. Substantially all of the Group's non-current assets, excluding financial instruments and deferred tax assets, are located in the PRC, and revenue of the Group is generated from customers located in the PRC.

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	113	56	128	72	249
Government grants	–	750	2,132	707	520
Others	–	(20)	(1)	–	9
Other income	113	786	2,259	779	778
Net foreign exchange gains	–	–	112	–	2,946
Impairment loss on advance to a supplier	–	–	(183)	(179)	–
Gain on deregistration of investment in an associate *(Note 16)*	–	–	–	–	97
Other gains and losses	–	–	(71)	(179)	3,043
	113	786	2,188	600	3,821

Government grants represented immediate financial support granted by the local governments. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss upon the receipt of relevant cash.

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank borrowings	–	–	438	116	312
Interest on obligation arising from a put option *(Note 29)*	–	–	–	–	1,679
Total	–	–	438	116	1,991

9. INCOME TAX (EXPENSE) CREDIT

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
The income tax expense (credit) comprises:					
PRC Enterprise Income Tax ("EIT"):					
Current tax	5,499	2,831	7,258	–	5,311
Overprovision in prior year	–	–	–	–	(492)
	5,499	2,831	7,258	–	4,819
Deferred tax *(Note 18)*	(394)	526	(638)	(687)	(626)
	5,105	3,357	6,620	(687)	4,193

The Company and its subsidiaries, namely Weigang Environment and Jade Far, were incorporated in the Cayman Islands and BVI, respectively. All these entities did not have tax assessable profit in Cayman Islands, BVI or other jurisdiction during the Track Record Period.

No provision for Hong Kong profits tax has been recognised in the Historical Financial Information during the Track Record Period as the Group does not have income which arose in, or derived from Hong Kong.

Pursuant to the Enterprise Income Tax Law (the "EIT Law") effective on 1 January, 2008, Guangzhou Weigang obtained a "High and New Technology Enterprise" (the "HNTE") in 2016 which Guangzhou Weigang was entitled to a preferential tax rate of 15% from 2016 to 2018 and eligible for renewal every three years.

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

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

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) before tax	20,720	22,880	36,379	(5,052)	26,841
Tax at applicable income tax rate of 25%	5,180	5,720	9,095	(1,263)	6,710
Tax effect due to preferential tax rate	–	(2,021)	(4,730)	353	(3,593)
Tax effect of expenses not deductible for tax purposes	35	21	1,962	38	2,429
Tax effect of income not taxable for tax purpose	–	–	–	–	(737)
Tax effect of share of results of associates	(110)	(667)	169	108	–
Tax effect of tax loss not recognised	–	–	124	77	–
Utilisation of tax loss previously not recognised	–	–	–	–	(124)
Overprovision in prior year	–	–	–	–	(492)
Others	–	304	–	–	–
Income tax expense (credit) for the year/period	5,105	3,357	6,620	(687)	4,193

10. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) for the year/period has been arrived at after charging:					
Staff costs (including directors' emoluments)					
– Directors' remuneration *(Note 11)*	920	982	1,029	404	584
– Other staff:					
– Salaries and other benefits	3,082	5,496	11,845	4,531	10,324
– Bonus	185	936	2,051	–	–
– Contributions to retirement benefits scheme	120	253	846	230	865
Total staff costs	4,307	7,667	15,771	5,165	11,773
Auditors' remuneration	30	38	49	33	130
Research and development costs (included in other expenses)*	2,633	5,571	8,150	3,281	3,470
[**REDACTED**] expenses (included in other expenses)	–	–	6,323	–	5,180
Depreciation of property, plant and equipment	55	234	397	140	508
Amortisation of intangible asset	–	23	34	17	17
Allowance for (reversal of allowance for) impairment of trade and note receivables	1,574	129	584	–	(2,077)
Allowance for impairment of contract assets	–	–	–	–	1,878
Minimum lease payment in respect of office premises	193	387	1,970	632	1,154

* Amount included staff costs of approximately RMB1,635,000, RMB3,018,000, RMB5,590,000, RMB1,838,000 (unaudited) and RMB2,648,000, and material and other related costs of approximately RMB998,000, RMB2,553,000, RMB2,560,000, RMB1,443,000 (unaudited) and RMB822,000 for each of the year ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2017 and 2018, respectively.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Mr. Cai, Mr. Dong Honghui ("Mr. Dong") and Mr. Deng Zhaoshan ("Mr. Deng") are appointed as directors of the Company on 18 May 2017, 27 April 2018 and 27 April 2018, respectively. Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

For the year ended 31 December 2015

	Salaries and other allowances *RMB'000*	**Bonus** *RMB'000*	**Retirement benefits scheme contributions** *RMB'000*	**Total** *RMB'000*
Executive directors				
Mr. Cai *(Note i)*	269	20	13	302
Mr. Dong *(Note ii)*	277	19	13	309
Mr. Deng *(Note iii)*	276	19	14	309
	822	58	40	920

For the year ended 31 December 2016

	Salaries and other allowances *RMB'000*	**Bonus** *RMB'000*	**Retirement benefits scheme contributions** *RMB'000*	**Total** *RMB'000*
Executive directors				
Mr. Cai *(Note i)*	266	20	13	299
Mr. Dong *(Note ii)*	266	75	13	354
Mr. Deng *(Note iii)*	263	53	13	329
	795	148	39	982

For the year ended 31 December 2017

	Salaries and other allowances *RMB'000*	Bonus *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Cai *(Note i)*	271	18	31	320
Mr. Dong *(Note ii)*	273	53	31	357
Mr. Deng *(Note iii)*	268	53	31	352
	812	124	93	1,029

For the six months ended 30 June 2017 (unaudited)

	Salaries and other allowances *RMB'000*	Bonus *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Cai *(Note i)*	132	–	4	136
Mr. Dong *(Note ii)*	130	–	4	134
Mr. Deng *(Note iii)*	130	–	4	134
	392	–	12	404

For the six months ended 30 June 2018

	Salaries and other allowances *RMB'000*	Bonus *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Cai *(Note i)*	180	–	15	195
Mr. Dong *(Note ii)*	180	–	15	195
Mr. Deng *(Note iii)*	179	–	15	194
	539	–	45	584

Notes:

(i) Mr. Cai served as the chairman and executive director of Guangzhou Weigang since its establishment on 15 July 2009 and was appointed as chairman of the Group and executive director of the Company on 18 May 2017.

(ii) Mr. Dong was appointed as a director of the Company on 27 April 2018. Prior to being a director, he was an employee of the Group.

(iii) Mr. Deng was appointed as a director of the Company on 27 April 2018. Prior to being a director, he was an employee of the Group.

The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.

The bonus payments are determined with reference to the operating results and individual performance during the Track Record Period.

Employees

The five highest paid individuals of the Group included three, three, two, three (unaudited) and three directors, whose emoluments are included in the disclosures above for each of the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2017 and 2018, respectively. The emoluments of the remaining two, two, three, two (unaudited) and two individuals for the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2017 and 2018, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	363	384	1,202	197	441
Bonus	26	130	84	–	–
Retirement benefits scheme contributions	12	12	31	8	1
	401	526	1,317	205	442

The emoluments of the five highest paid individuals including directors of the Company, were within the following band:

	Number of employees			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
Not exceeding HK$1,000,000	5	5	5	5	5

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals including directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Each of the directors of the Company did not waive or agreed to waive any remuneration during the Track Record Period.

12. EARNINGS (LOSS) PER SHARE

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

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Earnings (loss)					
Earnings (loss) for the purpose of calculating basic earnings (loss) per share (profit (loss) for the year/period attributable to the owners of the Company)	15,615	19,523	30,195	(4,204)	19,608
Number of shares					
Number of shares for the purpose of calculating basic earnings (loss) per share	943,906,118	943,906,118	943,906,118	943,906,118	1,006,728,781

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined on the assumption that the Reorganisation, share consolidation and the bonus element of the shares issued for the loan capitalisation as detailed in the section headed "History, Reorganisation and Group Structure" to the Document had been effective on 1 January 2015.

In addition, the computation of diluted earnings per share during the six months ended 30 June 2018 does not assume the exercise of put option by the non-controlling shareholder of a subsidiary as the exercise of the put option would result in an increase of earnings per share for the six months ended 30 June 2018. The computation of diluted earnings per share during each of the year ended 31 December 2017 and the six months ended 30 June 2017 and 2018 does not assume the exercise of share options granted as their issue is contingent on the success listing of the Company which is not satisfied at the end of the respective reporting date, as detailed in Note 42. The diluted earnings per share for each of the two years ended 31 December 2016 was not presented as there was no dilutive potential ordinary shares outstanding during the respective years.

13. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation, nor has any dividend been proposed since the end of the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *RMB'000*	Computers *RMB'000*	Motor vehicles *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000* *(Note)*	Total *RMB'000*
The Group						
COST						
At 1 January 2015	–	11	30	7	–	48
Additions	–	152	–	204	–	356
Disposals	–	–	–	(7)	–	(7)
At 31 December 2015	–	163	30	204	–	397
Additions	–	115	272	175	–	562
Acquisition of a subsidiary *(Note 36)*	–	3	–	–	–	3
At 31 December 2016	–	281	302	379	–	962
Additions	1,152	333	786	282	6,812	9,365
At 31 December 2017	1,152	614	1,088	661	6,812	10,327
Additions	93	527	53	20	2,483	3,176
At 30 June 2018	1,245	1,141	1,141	681	9,295	13,503
DEPRECIATION						
At 1 January 2015	–	5	18	7	–	30
Provided for the year	–	21	6	28	–	55
Eliminated on disposals	–	–	–	(7)	–	(7)
At 31 December 2015	–	26	24	28	–	78
Provided for the year	–	66	54	114	–	234
At 31 December 2016	–	92	78	142	–	312
Provided for the year	38	127	76	156	–	397
At 31 December 2017	38	219	154	298	–	709
Provided for the period	128	173	117	90	–	508
At 30 June 2018	166	392	271	388	–	1,217
CARRYING VALUES						
At 31 December 2015	–	137	6	176	–	319
At 31 December 2016	–	189	224	237	–	650
At 31 December 2017	1,114	395	934	363	6,812	9,618
At 30 June 2018	1,079	749	870	293	9,295	12,286

Note: Amount represented the costs incurred for the construction of a thermal desorption of oil sludge treatment facility, which will be leased to a customer for leasing income upon completion of the construction. The leasing income will be charged according to the tons of treatment for a lease period of 3 years.

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

Leasehold improvement	5 years
Computers	3 years
Motor vehicles	3 – 5 years
Furniture and fixtures	3 years

15. INTANGIBLE ASSET

	Patent *RMB'000* *(Note)*
The Group	
COST	
At 1 January 2015 and 31 December 2015	–
Additions	150
At 31 December 2016 and 31 December 2017 and 30 June 2018	150
DEPRECIATION	
At 1 January 2015 and 31 December 2015	–
Provided for the year	23
At 31 December 2016	23
Provided for the year	34
At 31 December 2017	57
Provided for the period	17
At 30 June 2018	74
CARRYING VALUES	
At 31 December 2015	–
At 31 December 2016	127
At 31 December 2017	93
At 30 June 2018	76

Note: The patent is the design of a core equipment in the hazardous waste incineration treatment solutions. It was acquired by the Company from South China University of Technology in May 2016 for a 53-months licence period. The above intangible asset has finite useful lives and is amortised on a straight-line basis over the licence period.

16. INVESTMENTS IN ASSOCIATES

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Cost of investments in associates	7,400	4,900	4,900	–
Share of results of associates, net of dividend received	1,557	2,642	639	–
	8,957	7,542	5,539	–

Details of the Group's associates at the end of each reporting period is as follow:

Name of associates	Principal activities	Place and date of establishment and operations	Proportion of ownership interest held by the Group				Proportion of voting interest held by the Group			
			At 31 December			At 30 June	At 31 December			At 30 June
			2015	2016	2017	2018	2015	2016	2017	2018
Yunfu Yishida Waste Heat Power Generation Co., Ltd.* 雲浮市易世達餘熱發電有限公司 ("Yishida")	Provision of project management service for a waste heat power generation project	PRC, 1 August 2008	49%	49%	49%	N/A *(Note 1)*	49%	49%	49%	N/A *(Note 1)*
Xinjiang Wosen 新疆沃森環保科技有限責任公司	Providing research and development of environmental protection technologies and facilities	PRC, 17 November 2011	50% *(Note 2)*	N/A	N/A	N/A	50%	N/A	N/A	N/A

Note 1: Yishida was deregistered by way of member's resolution on 18 January 2018. On 12 February 2018, Guangzhou Weigang received RMB5,636,000 from Yishida as return of investment, the carrying amount of the investment in associate on 12 February 2018 of RMB5,539,000 was derecognised and a gain from the deregistration amounting to RMB97,000 has been recognised in profit and loss.

Note 2: On 25 November 2015, the Group acquired 50% interest in Xinjiang Wosen at a consideration of RMB2,500,000, of which RMB1,500,000 was included in other payables and RMB1,000,000 was included in amounts due to shareholders as at 31 December 2015 and 2016. In accordance with the shareholders' agreement, the Group is entitled to appoint one out of three directors of Xinjiang Wosen. The directors of the Company consider that the Group has significant influence over Xinjiang Wosen which is therefore classified as an associate of the Group.

On 13 December 2016, the Company acquired the remaining 50% interest and obtained control over Xinjiang Wosen which then became a wholly owned subsidiary of the Group. Details of the acquisition are set out in Note 36. The summarised financial information of Xinjiang Wosen for the year ended 31 December 2015 and 2016 disclosed below is derived from the period from 25 November 2015 to 31 December 2015 and 1 January 2016 to 13 December 2016, respectively.

The above associates are accounted for using equity method in the Historical Financial Information.

* The English names are for identification purpose only.

Summarised financial information in respect of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

Yishida:

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	13,914	16,111	11,506	N/A
Non-current assets	473	6	–	N/A
Current liabilities	1,210	726	202	N/A
Net assets	13,177	15,391	11,304	N/A

	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	8,864	7,982	–	–	N/A
Profit (loss) and total comprehensive income (expense) for the year/period	904	4,994	(1,377)	(879)	N/A
Dividend received from Yishida during the year/period	955	1,362	1,328	1,328	N/A

Reconciliation of the above summarised financial information of the carrying amount of the interest in Yishida recognised in the Historical Financial Information.

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets of Yishida	13,177	15,391	11,304	N/A
Proportion of the Group's ownership interest in Yishida	49%	49%	49%	N/A
Carrying amount of the Group's interest in Yishida	6,457	7,542	5,539	N/A

Xinjiang Wosen:

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	4,952	N/A	N/A	N/A
Non-current assets	43	N/A	N/A	N/A
Current liabilities	216	N/A	N/A	N/A
Net assets	4,779	N/A	N/A	N/A

	Year ended 31 December			Six months ended 30 June	Six months ended 30 June
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	680	N/A	N/A	N/A
Profit and total comprehensive income for the period	–	441	N/A	N/A	N/A

Reconciliation of the above summarised financial information of the carrying amount of the interest in Xinjiang Wosen recognised in the Historical Financial Information.

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets of Xinjiang Wosen	4,779	N/A	N/A	N/A
Proportion of the Group's ownership interest in Xinjiang Wosen	50%	N/A	N/A	N/A
The Group's share of net assets of Xinjiang Wosen	2,390	N/A	N/A	N/A
Goodwill	110	N/A	N/A	N/A
Carrying amount of the Group's interest in Xinjiang Wosen	2,500	N/A	N/A	N/A

17. AVAILABLE-FOR-SALE INVESTMENT/EQUITY INSTRUMENT AT FVTOCI

Available-for-sale investment as at December 2015, 2016 and 2017 reclassified as equity instrument at FVTOCI upon the initial application of IFRS 9 on 1 January 2018 comprises:

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Unlisted investment:				
– Equity securities	–	1,500	3,584	4,266
	–	1,500	3,584	4,266

The above unlisted equity investment represents investment in 3% equity securities issued by a private entity incorporated in the PRC engaged in oil sludge treatment facility operator, which was acquired by the Group through the acquisition of the additional 50% equity interest in Xinjiang Wosen on 13 December 2016 as detailed in Note 36. The investment is measured at fair value at the end of each reporting period, details of fair value measurements are disclosed in Note 34(c).

Mr. Cai also holds 10% equity interest in this equity investment as at 31 December 2015, 2016, 2017 and 30 June 2018.

18. DEFERRED TAXATION

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

	Allowance for impairment of trade and note receivables and contract assets and impairment loss on advance to a supplier	**Tax loss**	**Changes in fair value of equity instrument at FVTOCI**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
At 1 January 2015	970	–	–	970
Credit to profit or loss	394	–	–	394
At 31 December 2015	1,364	–	–	1,364
Charge to profit or loss	(526)	–	–	(526)
At 31 December 2016	838	–	–	838
Credit to profit or loss	115	523	–	638
At 31 December 2017	953	523	–	1,476
Credit to profit or loss	(64)	690	–	626
Charge to other comprehensive income	–	–	(692)	(692)
At 30 June 2018	889	1,213	(692)	1,410

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

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Deferred tax assets	1,364	838	1,476	1,460
Deferred tax liabilities	–	–	–	(50)
	1,364	838	1,476	1,410

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for the Historical Financial Information in respect of temporary differences attributable to the profit earned by the PRC subsidiaries amounting to RMB37,405,000 and RMB29,314,000 as at 31 December 2017 and 30 June 2018 respectively as the Group is able to control the timing of reversal of temporary difference and it is probable that temporary difference will not reverse in the foreseeable future.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group has unused tax losses of nil, nil, RMB2,590,000 and RMB4,852,000, respectively, available for offset against future profits for the consecutive five years and will expire on 2022 and 2023. Deferred tax assets have been recognised in respect of approximately nil, nil, RMB2,094,000 and RMB4,852,000 of such losses as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately nil, nil, RMB496,000 and nil due to the unpredictability of future profit streams as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

19. INVENTORIES

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Spare parts and other materials	29	7	22	938
	29	7	22	938

20. TRADE AND NOTE RECEIVABLES

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Trade receivables	21,940	34,081	53,795	98,794
Less: allowance for impairment	(3,609)	(3,738)	(4,322)	(2,245)
	18,331	30,343	49,473	96,549
Note receivables	–	–	8,310	4,827
Total trade and note receivables	18,331	30,343	57,783	101,376

The Group allows a credit period ranging from 0 to 42 days to its trade customers.

The following is an aged analysis of trade receivables net of allowance for impairment at the end of the reporting period presented based on payment schedule or invoice date stated in the contracts.

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
0 – 90 days	11,875	21,448	30,522	84,410
91 – 180 days	–	2,792	17,380	1,221
181 – 365 days	3,178	180	648	9,934
Over 365 days	3,278	5,923	923	984
	18,331	30,343	49,473	96,549

Aging of trade receivables which are past due but not impaired:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
0 – 90 days	11,875	21,448	30,522
91 – 180 days	–	2,792	17,380
181 – 365 days	3,178	180	648
Over 365 days	3,278	5,923	923
	18,331	30,343	49,473

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB18,331,000, RMB30,443,000 and RMB49,473,000 as at 31 December 2015, 2016 and 2017, respectively which are past due at the end of each of the years ended 31 December 2015, 2016 and 2017 for which the Group has not provided for impairment loss as the Group considers such balances have been substantially settled subsequent to the end of the respective reporting period or there were no historical default of payments by the respective customers. The Group does not hold any collateral over these balances.

Note receivables are bank acceptance notes and the average aging is with 30 to 90 day based on the issuance date, 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. As at 30 June 2018, all the amounts of note receivable were endorsed to settle trade payables and not derecognised until the maturity date of the notes. As at 31 December 2017, an amount of RMB5,530,000 was endorsed to settle trade payables and an amount of RMB1,000,000 was discounted to bank, which were not derecognised until the maturity date of the endorsed and discounted notes.

The management of the Group considers the note receivables are issued by the banks with high credit rating and the probability of default is low during the Track Record Period.

Movement in the allowance for impairment for trade receivables:

	Year ended 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Balance at the beginning of the year/period	2,035	3,609	3,738	4,322
Impairment losses recognised/(reversed)	1,574	129	584	(2,077)
Balance at the end of year/period	3,609	3,738	4,322	2,245

Included in the balance of allowance for impairment are individually impaired trade receivables with an aggregate balance of RMB3,609,000, RMB3,738,000, RMB4,322,000 and RMB2,245,000 as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively, with reference to the historical experience of these receivables, the collection of these receivables may not be recoverable. During the six months ended 30 June 2018, RMB3,125,000 impairment loss brought forward from 31 December 2017 was reversed as the balances were fully settled by respective debtors, additional RMB1,048,000 impairment loss was recognised for individually impaired trade receivables. The Group does not hold any collateral over these balances.

Upon the adoption of IFRS 9 on 1 January 2018, the Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL model. Trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward looking estimates.

The estimated loss rates, which ranged from 0.1% to 6.3% for those not credit-impaired trade receivables and contract assets and was 100% for those credit-impaired trade receivables and contract assets, are estimated based on the exposure to default of each customer, payment history of the customer, the existing relationship with the customer and study on corporate default and recovery data from international credit-rating agencies including Moody's and Standard and Poor's, and are adjusted for forward-looking information (for example, the macroeconomic factors affecting the industry and the impact that may result in customer ability to make payments) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting dates. The Group rebutted the presumption of default under ECL mode for trade receivables over 90 days past due based on the good repayment records for those customers and continuous business with the Group. The customers are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about the customers is updated.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Advance to suppliers	9,857	5,811	18,842	26,794
Less: impairment loss on advance to a supplier	–	–	(183)	(183)
	9,857	5,811	18,659	26,611
Deferred issue costs	–	–	2,036	3,788
Prepaid [**REDACTED**] expenses	–	–	–	262
Deposits for tender bidding	50	50	510	6,550
Other deposits	65	82	377	1,039
Value-added tax receivables	3,455	–	384	2,982
Advances to third parties	–	3,200	–	–
Staff advances	–	144	889	497
Others	17	33	326	189
	13,444	9,320	23,181	41,918

	At 31 December 2017	At 30 June 2018
	RMB'000	*RMB'000*
The Company		
Deferred issue costs	2,036	3,788
Prepaid [**REDACTED**] expenses	–	262
Other deposits	–	228
	2,036	4,278

22. CONTRACT ASSETS/LIABILITIES

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Contract assets	9,274	32,452	69,372	91,008
Contract liabilities	17,728	14,589	67,779	67,764

As at 31 December 2015, 2016, 2017 and 30 June 2018, contract assets include retention receivables of approximately RMB1,000,000, RMB3,792,000, RMB9,427,000 and RMB6,638,000, respectively, were held by customers under contracts as set out below. The Group generally provide their customers with one to two years warranty period. Upon the expiration of retention period, if the relevant hazardous wastage processing plant has met the requirements in the contract, the customers provides a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

The changes in contract assets and liabilities are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Contract liabilities as at the end of each reporting period are recognised as revenue in subsequent year.

Upon the adoption of IFRS 9 on 1 January 2018, the contract assets are subject to ECL assessment same as the trade and note receivables as detailed in Note 20.

During the six months ended 30 June 2018, the lifetime ECL allowance for contract assets amounting to RMB1,878,000 is recognised in profit or loss.

23. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

The Group

Bank balances and cash comprise cash and bank balances held by the Group with maturity of three months or less and carry interest at market rate of 0.01% to 1.35% per annum as at 31 December 2015, 2016, 2017 and 30 June 2018.

Pledged bank deposits as at 31 December 2017 represents the bank guarantee amounting to 10% of the contract price with one of the customers amounting to RMB8,388,000 and the bank guarantee amounting to RMB500,000 with one of the customers for bidding. The pledged bank deposits will be released when the performance obligation is met or the customer cancelled the requirement for the bank guarantee and the bidding result is confirmed. Pledged bank deposits of the Group carrying interest at market rate of 0.35% per annum as at 31 December 2017.

Pledged bank deposits as at 30 June 2018 represents the bank guarantee with several customers for performance obligation fulfilment. The pledged bank deposits will be released when the performance obligation is met, the customer cancelled the requirement for the bank guarantee or the bank guarantee is due. Pledged bank deposits of the Group carrying interest at market rate of 0.35% to 2.415% per annum as at 30 June 2018.

The Company

Bank balances and cash comprise cash and bank balances held by the Company with maturity of three months or less and carry interest at market rate of 0.01% per annum as at 30 June 2018.

24. TRADE PAYABLES

The table below sets forth, as at the end of reporting periods indicated, the aging analysis of the trade payables:

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
0 – 90 days	2,554	7,625	30,729	27,564
91 – 180 days	418	1,455	824	2,430
181 – 365 days	383	824	16	1,926
Over 365 days	35	90	1,301	659
	3,390	9,994	32,870	32,579

There is no specific credit period granted on purchase of goods and services.

25. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Other tax payables	2,017	2,172	3,565	2,240
Accrued staff costs	657	1,697	3,663	1,847
Consideration payables for acquisition of an associate/a subsidiary	1,500	4,000	–	–
Accrued [**REDACTED**] expenses	–	–	1,635	4,324
Others	–	191	651	931
	4,174	8,060	9,514	9,342

	At 31 December 2017	At 30 June 2018
	RMB'000	*RMB'000*
The Company		
Accrued [**REDACTED**] expenses	1,635	4,324
Accrued staff costs	–	363
Others	15	654
	1,650	5,341

26. AMOUNTS DUE TO SHAREHOLDERS AND AMOUNT DUE TO A RELATED PARTY

During the Track Record Period, Mr. Cai, Mr. Ren and Ms. Huang made advances to the Group for its working capital requirement in respect of its operation, consideration payables for acquisition of an associate/a subsidiary and consideration payables for Reorganisation as detailed in Note 2. Details of amounts due to shareholders and amount due to a related party, which are non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(a) Amounts due to shareholders				
Mr. Cai				
– Consideration payables for acquisition of an associate/a subsidiary *(Note i)*	1,000	1,000	–	–
– Consideration payables upon Reorganisation *(Notes ii & iii)*	–	–	35,317	–
– Fund advances	905	–	46,464	–
Mr. Ren				
– Fund advances *(Note iii)*	–	–	12,213	–
	1,905	1,000	93,994	–
(b) Amount due to a related party				
Ms. Huang				
– Consideration payables upon Reorganisation *(Note ii)*	–	–	2,524	–
– Fund advances	–	3,000	–	–
	–	3,000	2,524	–

Notes:

(i) In December 2015, the Group entered into equity transfer agreements with independent third parties and Mr. Cai to acquire 30% and 20% interests in Xinjiang Wosen for a total cash consideration of RMB1,500,000 and RMB1,000,000, respectively. Mr. Cai is one of the then shareholders of Xinjiang Wosen. The consideration of RMB1,000,000 has been paid to Mr. Cai during the year ended 31 December 2017.

(ii) Pursuant to the Reorganisation as detailed in Note 2, the consideration for the acquisition of 70% and 5% equity interest in Guangzhou Weigang by the Group from Mr. Cai and Ms. Huang amounting to RMB35,317,000 and RMB2,524,000, respectively, was included in their respective current accounts with the Group, as at 31 December 2017.

(iii) On 26 January 2018, amounts due to Mr. Cai and Mr. Ren of RMB36,734,000 and RMB11,140,000, respectively, are assigned, novated and capitalised, as detailed in Note 41(e) and RMB43,152,000 are settled in cash during the six months ended 30 June 2018.

27. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The Company

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

28. BANK BORROWINGS

	At 31 December 2017	At 30 June 2018
	RMB'000	*RMB'000*
The Group		
Analysed:		
Unsecured bank borrowing carried interest at fixed rate *(Note)*	10,000	10,000
Advance from bank on discounted note receivable with recourse repayable within one year	1,000	–
	11,000	10,000
Carrying amounts repayable:		
– Within one year	1,000	10,000
– More than one year, but not exceeding two years	10,000	–
	11,000	10,000
Less: Amounts due within one year shown under current liabilities	1,000	10,000
Amounts shown under non-current liabilities	10,000	–

Note: The amounts due are based on scheduled repayment dates set out in the borrowing agreement. As at 31 December 2017 and 30 June 2018, no bank borrowings contain any repayment on demand clause.

The bank borrowing is guaranteed by the personal guarantees provided by Mr. Cai and Ms. Huang.

The effective interest rates (which are also equal to contracted interest rate) on the Group's bank borrowings are as follows:

	31 December 2017	30 June 2018
Effective interest rate on fixed rates of		
– Unsecured bank borrowing	6.175%	6.175%
– Advance from bank on discounted note receivable	5.5%	N/A

All of the borrowings are denominated in RMB which is the same as the functional currency of the corresponding group entities.

29. OBLIGATION ARISING FROM A PUT OPTION

On 4 April 2018, Guangzhou Weigang increased its registered capital from RMB10,000,000 to RMB400,000,000.

On 4 April 2018, Guangzhou Weigang, Weigang Holdings (Hong Kong), Jade Road, Jade Fly, WeiGang Technology and Orient Landscape, an independent third party, entered into investment agreements whereby Orient Landscape agreed, among others, to subscribe for the registered capital of RMB40,000,000 in Guangzhou Weigang, representing 10% of the equity interest in Guangzhou Weigang, at a consideration of RMB94,444,444. On 11 April 2018, the consideration was fully settled.

Pursuant to the terms of the investment agreement, the following special rights were granted to Orient Landscape, all of which shall automatically terminate immediately upon the [**REDACTED**] save for the Profit Compensation Right as mentioned below:

Information Right

Guangzhou Weigang shall provide Orient Landscape with audited annual reports and unaudited monthly financial statements of Guangzhou Weigang and the Company within 90 days (in the case of annual report) or 21 days (in the case of monthly financial statements) after the end of the relevant reporting period.

Tag-along Right

If Weigang Holdings (Hong Kong) and/or Jade Road intends sell their equity interests in Guangzhou Weigang to any third party, Orient Landscape is entitled to participate in such sale to such third party under the same terms and conditions.

Liquidation Right

Orient Landscape shall be entitled to receive not less than an amount equal to 120% of the Subscription Price plus any declared but unpaid dividends in preference to other shareholders of Guangzhou Weigang in the event of any liquidation, dissolution or winding-up of Guangzhou Weigang.

Put Option

If the [**REDACTED**] does not take place on or before 3 April 2020, Orient Landscape is entitled to require Weigang Holdings (Hong Kong) and Jade Road to purchase all of the equity interest in Guangzhou Weigang held by Orient Landscape at a price equal to the sum of (i) the Subscription Price plus an interest of 8% per annum and (ii) any declared but unpaid dividends.

Director Nomination Right

Orient Landscape is entitled, within 28 days of the investment agreement, to nominate a director of Guangzhou Weigang as deputy chairman of the board of directors of Guangzhou Weigang for a term of three years or such shorter period ending on the date on which Orient Landscape ceases to be a shareholder of Guangzhou Weigang. After the initial term, WeiGang Technology shall use reasonable endeavours to procure an Orient Landscape's nominee to become a director of Guangzhou Weigang provided at any time, Orient Landscape shall only have one director nominated by it holding directorship at Guangzhou Weigang.

Profit Compensation Right

WeiGang Technology and Jade Fly undertake with Orient Landscape if the net profit of Guangzhou Weigang for the years ending 31 December 2018 and 2019 in aggregate ("Profit for 2018 & 2019") is less than RMB200 million ("Target Profit"), Orient Landscape is entitled to either (i) require WeiGang Technology and Jade Fly to transfer such number of shares of the Company calculated under the following formula at nil consideration:

$$\text{Number of Shares} = \frac{10\% \times (\text{Target Profit} - \text{Profit for 2018 \& 2019})}{\text{RMB0.85}}$$

or (ii) require WeiGang Technology and Jade Fly to pay a sum calculated under the following formula:

$$\text{Sum} = 10\% \times (\text{Target Profit} - \text{Profit for 2018 \& 2019})$$

Subject to compliance with any applicable Listing Rules and undertakings restricting share transfer which may be given to the Stock Exchange and any [**REDACTED**], the above compensation shall be completed within 30 days after the [**REDACTED**] or the date of issue of the audited annual report of Guangzhou Weigang for 2019, whichever is later.

Upon completion of the subscription on 11 April 2018, an amount representing the proportionate share of the carrying amount of the net assets of Guangzhou Weigang at the date of the completion of the subscription is transferred to non-controlling interests. The difference between the capital contribution from the non-controlling interests, the proportionate share of the carrying amount of the net assets of Guangzhou Weigang and the re-attribution of its statutory surplus reserve and accumulated profits is recognised in other reserve. On the same date, an amount representing the present value amounting to RMB94,444,444 of the amount that the Group could be required to pay to Orient Landscape pursuant to the put option over the 10% equity interest in Guangzhou Weigang held by Orient Landscape, with a corresponding debit in equity, is recognised as obligation arising from a put option under non-current liabilities, and the corresponding interest of 8% per annum during the period amounting to RMB1,679,000 is recognised in obligation arising from a put option and profit or loss.

In addition, the directors of the Company are of the view that the Target Profit of Guangzhou Weigang as detailed above can be met and the fair value of the profit compensation right at the date of completion of the subscription and as at 30 June 2018 is insignificant.

30. SHARE CAPITAL

Share capital of the Group as at 1 January 2015, 31 December 2015 and 2016 represented the share capital of Guangzhou Weigang prior to the completion of the Reorganisation.

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

	Number of shares	Nominal value per share *HK$*	Share capital *HK$*	Share capital *RMB'000*
Authorised				
At 18 May 2017 (date of incorporation) *(Note i)*	38,000,000	0.01	380,000	335
At 31 December 2017	38,000,000	0.01	380,000	335
– Increase in authorised share capital *(Note iii)*	19,962,000,000	0.01	199,620,000	168,285
– Share consolidation *(Note iii)*	(16,000,000,000)	0.04	–	–
At 30 June 2018	4,000,000,000	0.05	200,000,000	168,620
Issued and fully paid				
At 18 May 2017 (date of incorporation) *(Note i)*	5,250	0.01	52.5	–*
Issued during the period *(Note i)*	1,750	0.01	17.5	–*
At 31 December 2017	7,000	0.01	70	–*
Issued during the period				
– Capitalisation of loan *(Note ii)*	4,999,993,000	0.01	49,999,930	40,572
– Share consolidation *(Note iii)*	(4,000,000,000)	0.04	–	–
– [**REDACTED**] investors *(Note iv)*	20,864,000	0.05	1,043,200	841
At 30 June 2018	1,020,864,000	0.05	51,043,200	41,413

* Less than RMB1,000

Notes:

(i) The Company was incorporated on 18 May 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of its incorporation, 5,250 ordinary shares of HK$0.01 were allotted and issued by the Company. On 8 September 2017, an additional of 1,750 shares were allotted and issued by the Company upon Reorganisation as detailed in Note 2 step (xi).

(ii) As detailed in Note 41(e), on 26 January 2018, Jade Fly has agreed to subscribe for 1,499,497,901 shares of HK$0.01 each in the share capital of the Company at the subscription price in the sum equivalent to the amount of HK$17,691,182 (equivalent to RMB14,356,000) which are to be satisfied by capitalising the loan amount of HK$17,691,182.

On 26 January 2018, WeiGang Technology has agreed to subscribe for 3,500,495,099 shares of HK$0.01 each in the share capital of the Company at the subscription price in the sum equivalent to the amount of HK$41,307,518 (equivalent to RMB33,518,000) which are to be satisfied by capitalising the loan amount of HK$41,307,518.

(iii) On 26 January 2018, the authorised share capital of the Company has been increased to HK$200,000,000 divided into 20,000,000,000 shares of a par value of HK$0.01 each, and on the same date, the Company consolidate every five shares of a par value of HK$0.01 each in the authorised (whether issued or unissued) share capital of the Company into one share of a par value of HK$0.05 each. Immediately after the share consolidation, (i) WeiGang Technology held 700,100,000 shares with a par value of HK$0.05 each; (ii) Jade Fly held 299,900,000 Shares with a par value of HK$0.05 each; and (iii) the number of authorised shares had been changed from 20,000,000,000 shares of a par value of HK$0.01 each to 4,000,000,000 shares of a par value of HK$0.05 each.

(iv) On 13 February 2018, the Company has allotted and issued 16,155,353 ordinary shares of HK$0.05 each to two [**REDACTED**] investors for a total consideration of HK$16,991,957 (equivalent to RMB13,706,000).

On 9 April 2018, the Company has allotted and issued 4,708,647 ordinary shares of HK$0.05 each to another [**REDACTED**] investor for a total consideration of HK$5,000,000 (equivalent to RMB4,016,000).

31. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualify employees in Hong Kong. The asset of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

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

The amounts of contributions made by the Group in respect of the retirement benefits scheme for the Track Record Period are disclosed in Note 10 and Note 11.

32. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of bank borrowings disclosed in Note 28, amounts due to shareholders, amount due to a related party, obligation arising from a put option, net of bank balances and cash, and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with the capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new shares and raising of new debts.

33. RESERVE

The Company

	Share premium *RMB'000*	**Other reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
At 18 May 2017 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(6,144)	(6,144)
Issue of shares	–	8	–	8
At 31 December 2017	–	8	(6,144)	(6,136)
Loss and total comprehensive expense for the period	–	–	(3,266)	(3,266)
Issue of ordinary shares by loan capitalisation	7,302	–	–	7,302
Issue of ordinary shares to [**REDACTED**] investors, net of share issue cost	16,281	–	–	16,281
At 30 June 2018	23,583	8	(9,410)	14,181

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalent)	31,534	45,575	146,259	–
Financial assets at amortised cost	–	–	–	186,345
AFS investment	–	1,500	3,584	–
Equity instrument at FVTOCI	–	–	–	4,266
	31,534	47,075	149,843	190,611
Financial liabilities				
Liabilities measured at amortised cost	6,795	18,185	142,674	143,957

The Company

	At 31 December 2017	At 30 June 2018
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost	–	60,689
	–	60,689
Financial liabilities		
Liabilities measured at amortised cost	8,180	9,018
	8,180	9,018

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and note receivables, other receivables, pledged bank deposits, bank balances and cash, AFS investment/equity instrument at FVTOCI, trade payables, other payables, amounts due to shareholders, amount due to a related party, bank borrowings and obligation arising from a put option. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include interest rate risk, currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings in Note 28 and obligation arising from a put option in Note 29. The Group currently does not have any fair value interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arises.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of market rate, i.e. the benchmark saving rate quoted by the People's Bank of China on variable-rate bank balances and pledged bank deposits in Note 23.

The Group's exposure to interest rates on financial liabilities are detailed in liquidity risk management section of this Note.

Sensitivity analysis

Bank balances and cash and pledged bank deposits are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant.

No sensitive analysis is presented for the bank borrowings because the bank borrowings are bearing fixed-interest rate.

Currency risk

The Group

The Group's bank balances and cash, other payables, amounts due to shareholders and amount due to a related party are denominated in US$ and HK$, which exposed the Group to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date is as below:

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
US$	–	–	2,943	–
HK$	–	–	40,995	9,711
Liabilities				
US$	–	–	2,943	–
HK$	–	–	95,387	5,036

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 adjusted their transaction at year/period end for a 5% change in foreign currency rates. The sensitivity analysis includes bank balances and cash, other payables, amounts due to shareholders and amount due to a related party. 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 5% weakening/strengthening of US$ and HK$ against RMB, the Group's post tax profit for the year ended 31 December 2017 and the six months ended 30 June 2018 would increase/decrease by RMB2,040,000 and decrease/increase by RMB175,000, respectively. This is mainly attributable to the Group's exposure to foreign currencies rates of US$ and HK$ on its bank balances and cash, other payables, amounts due to shareholders and amount due to a related party as at 31 December 2017 and HK$ on its bank balances and cash and other payables as at 30 June 2018.

The Company

The Company's bank balances and cash, amounts due from subsidiaries, other payable and amounts due to subsidiaries are denominated in HK$, which exposed the Company to foreign currency risk.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at 31 December 2017 and 30 June 2018 is as below:

	At 31 December 2017	At 30 June 2018
	RMB'000	*RMB'000*
Assets – HK$	–	60,689
Liabilities – HK$	8,180	9,018

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 adjusted their transaction at year/period end for a 5% change in foreign currency rates. The sensitivity analysis includes amounts due from subsidiaries, bank balances and cash, other payables and amounts due to subsidiaries. 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 5% weakening/strengthening of HK$ against RMB and all other variable were held constant, the Company's post tax loss for the year ended 31 December 2017 and the six months ended 30 June 2018 would decrease/increase by RMB409,000 and increase/decrease by RMB2,583,000, respectively. This is mainly attribute to the Company's exposure to foreign currency rate of HK$ on its amounts due from subsidiaries, bank balances and cash, other payables and amounts due to subsidiaries as at 31 December 2017 and 30 June 2018.

Credit risk

The Group

The Group's credit risk is primarily attributable to trade and note receivables, contract assets, bank balances and pledged bank deposits.

The carrying amounts of the respective recognised financial assets and contract assets as stated in the consolidated statements of financial position best represent the Group's maximum exposure to credit risk.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each individual trade debt at the end of each reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and pledged bank deposits are limited because the counterparties are reputable financial institutions in the PRC.

The Group's concentration by geographical locations is mainly in the PRC, which accounted for all of the trade and note receivables as at 31 December 2015, 2016, 2017 and 30 June 2018.

The Group has concentration of credit risk as 53%, 70%, 71% and 40% of the total trade and note receivables was due from the Group's largest customer as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively.

The Group has concentration of credit risk as 82%, 75%, 72% and 86% of the total trade and note receivables was due from the Group's five largest customers as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively.

Since the adoption of IFRS 9 on 1 January 2018, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade and note receivables and contract assets, as detailed in Notes 20 and 22, respectively.

The management of the Group considers pledged bank deposits and bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. The directors of the Company consider that the probability of default is negligible on the basis of high-credit rating issuers during the Track Record Period.

The Company

The Company is mainly exposed to the credit risk of amount due from subsidiaries. The management of the Group considers the credit risk of the amounts due from subsidiaries is limited because they continuously monitor the quality and financial conditions of the subsidiaries.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have 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.

The Group

	Weighted average interest rate	On demand or less than 3 month	4-6 months	6 months to 1 year	1-2 years	Total undiscounted cash flows	Carrying amounts
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015							
Non-derivative financial liabilities							
Trade payables	–	3,390	–	–	–	3,390	3,390
Other payables	–	1,500	–	–	–	1,500	1,500
Amounts due to shareholders	–	1,905	–	–	–	1,905	1,905
		6,795	–	–	–	6,795	6,795
At 31 December 2016							
Non-derivative financial liabilities							
Trade payables	–	9,994	–	–	–	9,994	9,994
Other payables	–	4,191	–	–	–	4,191	4,191
Amounts due to shareholders	–	1,000	–	–	–	1,000	1,000
Amount due to a related party	–	3,000	–	–	–	3,000	3,000
		18,185	–	–	–	18,185	18,185
At 31 December 2017							
Non-derivative financial liabilities							
Trade payables	–	32,870	–	–	–	32,870	32,870
Other payables	–	2,286	–	–	–	2,286	2,286
Amounts due to shareholders	–	93,994	–	–	–	93,994	93,994
Amount due to a related party	–	2,524	–	–	–	2,524	2,524
Fixed rate bank borrowings	6.175%	154	154	309	10,113	10,730	10,000
Other bank borrowing	5.50%	1,000	–	–	–	1,000	1,000
		132,828	154	309	10,113	143,404	142,674

	Weighted average interest rate	On demand or less than 3 month	4-6 months	6 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amounts
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2018							
Non-derivative financial liabilities							
Trade payables	–	32,579	–	–	–	32,579	32,579
Other payables	–	5,255	–	–	–	5,255	5,255
Fixed rate bank borrowings	6.175%	154	154	10,116	–	10,424	10,000
Obligation arising from a put option	8%	–	–	–	110,160	110,160	96,123
		37,988	154	10,116	110,160	158,418	143,957

The Company

In management the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuations in cash flows.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

The Company

	Weighted average interest rate	On demand or less than 3 month	4-6 months	6 months to 1 year	1-2 years	Total undiscounted cash flows	Carrying amounts
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017							
Non-derivative financial liabilities							
Other payables	–	1,650	–	–	–	1,650	1,650
Amounts due to subsidiaries	–	6,530	–	–	–	6,530	6,530
		8,180	–	–	–	8,180	8,180

	Weighted average interest rate	On demand or less than 3 month	4-6 months	6 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amounts
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2018							
Non-derivative financial liabilities							
Other payables	–	4,978	–	–	–	4,978	4,978
Amounts due to subsidiaries	–	4,040	–	–	–	4,040	4,040
		9,018	–	–	–	9,018	9,018

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair value of its financial asset, which is measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

The Group owns 3% equity interest in a PRC private company that is classified as an AFS investment/equity investment at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2016, 2017 and 30 June 2018 amounts to RMB1,500,000, RMB3,584,000 and RMB4,266,000, respectively, measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy under IFRS 13.

The following table gives information about how the fair value of the Group's financial asset is determined.

Financial assets	Fair value as at	Fair value hierarchy	Valuation technique(s) and key inputs	Relationship of unobservable input to fair value
Private equity investment classified as AFS	**31/12/2016**	Level 3	Net assets value approach – The fair value is primarily affected by net assets value as at 31 December 2016 as the entity was still under construction and had not fully commenced operation.	Not applicable.
– 3% equity investment in a PRC private company engaged in oil sludge treatment facility operator	RMB1,500,000			
Private equity investment classified as AFS	**31/12/2017**	Level 3	Market approach – The fair value is primarily affected by market multiples. Market multiples is determined based on the enterprise value to earnings before interest tax, depreciation and amortisation multiple of the comparable companies.	If the market multiples increased/decreased by 10% with all other variable held constant, other comprehensive income for the year ended 31 December 2017 would have been RMB345,000 higher and lower, respectively.
– 3% equity investment in a PRC private company engaged in oil sludge treatment facility operator	RMB3,584,000			
Private equity investment classified as equity instrument at FVTOCI	**30/06/2018**	Level 3	Market approach – The fair value is primarily affected by market multiples. Market multiples is determined based on the enterprise value to earnings before interest tax, depreciation and amortisation multiple of the comparable companies.	If the market multiples increased/decreased by 10% with all other variable held constant, other comprehensive income for the six months ended 30 June 2018 would have been RMB382,000 higher and lower, respectively.
– 3% equity investment in a PRC private company engaged in oil sludge treatment facility operator	RMB4,266,000			

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

Fair value measurements and valuation processes

The management of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

Reconciliation of Level 3 fair value measurements

	AFS investment *RMB'000*
31 December 2015	–
Acquisition of a subsidiary *(Note 36)*	1,500
31 December 2016	1,500
Total gains	
– in other comprehensive income *(Note i)*	2,084
31 December 2017	3,584

	Equity instrument at FVTOCI *RMB'000*
1 January 2018	3,584
Total gains	
– in other comprehensive income *(Note ii)*	682
30 June 2018	4,266

Notes:

(i) Included in other comprehensive income is an amount of RMB2,084,000 gain relating to unlisted equity securities classified as AFS investment held at 31 December 2017 and is reported as changes of 'revaluation reserve'.

(ii) Included in other comprehensive income is an amount of RMB682,000 gain relating to unlisted equity securities classified as an equity instrument at FVTOCI held at 30 June 2018 and is reported as changes of 'revaluation reserve'.

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

The management estimates the fair values of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their respective fair value.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group' 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 as cash flows from financing activities.

	Bank borrowing *(Note 28)* *RMB'000*	**Amount due to a related party** *(Note 26)* *RMB'000*	**Amounts due to shareholders** *(Note 26)* *RMB'000*	**Obligation arising from a put option** *(Note 29)* *RMB'000*	**Total** *RMB'000*
At 1 January 2015	–	6,400	1,395	–	7,795
Financing cash flows	–	(6,400)	(490)	–	(6,890)
Non-cash transaction					
– Acquisition of an associate *(Note 41(a))*	–	–	1,000	–	1,000
At 31 December 2015	–	–	1,905	–	1,905
Financing cash flows	–	3,000	(905)	–	2,095
At 31 December 2016	–	3,000	1,000	–	4,000
Financing cash flows	10,562	(3,000)	46,464	–	54,026
Settlement of acquisition of an associate included in investing cash flows *(Note 41(a))*	–	–	(1,000)	–	(1,000)
Interest expenses	438	–	–	–	438
Non-cash transactions					
– Arising from acquisition of 75% equity interest in Guangzhou Weigang *(Note 41(b))*	–	2,524	35,317	–	37,841
– Arising from the acquisition of 25% equity interest in Guangzhou Weigang *(Note 41(d))*	–	–	12,213	–	12,213
At 31 December 2017	11,000	2,524	93,994	–	107,518
Financing cash flows	(1,312)	(2,433)	(43,152)	–	(46,897)
Interest expenses	312	–	–	1,679	1,991
Non-cash transaction					
– Loans assignment, novation and capitalisation *(Note 41(e))*	–	–	(47,874)	–	(47,874)
– Initial recognition of obligation, arising from a put option *(Note 29)*	–	–	–	94,444	94,444
Net foreign exchange gains	–	(91)	(2,968)	–	(3,059)
At 30 June 2018	10,000	–	–	96,123	106,123
(Unaudited)					
At 1 January 2017	–	3,000	1,000	–	4,000
Financing cash flows	9,884	(3,000)	–	–	6,884
Interest expenses	116	–	–	–	116
At 30 June 2017	10,000	–	1,000	–	11,000

36. ACQUISITION OF A SUBSIDIARY

For the year ended 31 December, 2016

On 13 December 2016, the Company entered into equity transfer agreements with independent third parties to acquire remaining 50% interests in Xinjiang Wosen for a total cash consideration of RMB2,500,000. Xinjiang Wosen is engaged in providing research and development of environmental protection technologies and facilities in Xinjiang. Xinjiang Wosen was acquired so as to develop the waste treatment solutions business in Xinjiang. The acquisition has been accounted for using the acquisition method.

The fair value of identifiable assets and liabilities of Xinjiang Wosen acquired at the date of obtaining control are as follows:

	RMB'000
Property, plant and equipment	3
AFS investment	1,500
Trade receivables	192
Deposits, prepayments and other receivables	3,212
Bank balances and cash	699
Other payables and accrued expenses	(386)
	5,220
Consideration at fair value included in other payables	2,500
Less: Net assets acquired	(5,220)
Fair value of previously held interest in an associate at the date of obtaining control	2,720
	–
Net cash inflow on acquisition of Xinjiang Wosen:	
Bank balances and cash acquired	699

No significant profit and revenue for the year ended 31 December 2016 is attributable to the additional business generated by Xinjiang Wosen as its acquisition was completed in December 2016.

Had the acquisition been completed on 1 January 2016, total Group's revenue for the year would have been RMB89,651,000, and profit for the year ended 31 December 2016 would have been RMB19,964,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

37. OPERATING LEASES

The Group as lessee

Leasing agreements

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payments under operating leases in respect of office premises	193	387	1,970	1,154

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

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	159	340	2,451	2,517
In the second to fifth year inclusive	–	159	6,283	5,141
	159	499	8,734	7,658

Operating leases payments represent rentals payables by the Group for certain of its office premises. As at 31 December 2015, 2016, 2017 and 30 June 2018, leases are negotiated for terms of one year, one to two years, one to five years and one to five years, respectively.

38. CAPITAL COMMITMENTS

	At 31 December			At 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments in respect of the acquisition of property, plant and equipment – contracted for but not provided in the Historical Financial Information	–	–	6,478	5,207

39. PLEDGE OF ASSETS

The Group did not pledge any assets other than the pledged bank deposits disclosed in Note 23 as at 31 December 2017 and 30 June 2018.

40. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Amounts due to shareholders and amount due to a related party

Details of balances with shareholders and a related party are set out in the consolidated statements of financial position and Note 26.

(ii) Guarantees in support of the bank borrowing

Details of guarantees in support of the bank borrowing of the Group provided by a shareholder and a related party are set out in Note 28.

(iii) Compensation of key management personnel

The key management personnel of the Group comprises all executive directors of the Company, details of their emoluments are disclosed in Note 11. The emoluments of the directors of the Company are determined with regard to individual's performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

41. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2015, part of consideration for acquisition of an investment in an associate amounting to RMB1,000,000 was included in the amount due to a shareholder. Such consideration was paid by the Group during the year ended 31 December 2017.

(b) During the year ended 31 December 2016, the consideration for the acquisition of 70% and 5% equity interest in Guangzhou Weigang by Weigang Holdings (Hong Kong) amounting to RMB35,317,000 and RMB2,524,000, respectively, were included in the amount due to a shareholder and amount due to a related party at an amount of RMB35,317,000 and RMB2,524,000, respectively.

(c) During the year ended 31 December 2017, the consideration payable for acquisition of an associate/a subsidiary amounting to RMB1,400,000 was offset with advance to third party.

(d) During the year ended 31 December 2017, an amount due to a shareholder, Mr. Ren, amounting to RMB12,213,000 was arising from the acquisition of 25% equity interest in Guangzhou Weigang as part of the Reorganisation (Note 2 Step (xi)).

(e) On 26 January 2018, a deed of loan assignment and novation and loan capitalisation has been entered amongst Mr. Cai, WeiGang Technology, Weigang Holdings (Hong Kong), Mr. Ren, Jade Fly, Jade Road and the Company. The details are as follows:

(i) Mr. Cai has assigned a loan amounting to HK$45,270,000 (equivalent to RMB36,734,000) due from Weigang Holdings (Hong Kong) to his wholly owned entity, namely, WeiGang Technology.

(ii) The Company has agreed to undertake the loan amounting to HK$45,270,000 (equivalent to RMB36,734,000) due to WeiGang Technology from Weigang Holdings (Hong Kong).

(iii) WeiGang Technology has assigned part of the loan due from the Company amounting to HK$3,962,482 to Jade Fly. After such assignment, the loan owed by the Company to WeiGang Technology was HK$41,307,518 (equivalent to RMB33,518,000).

(iv) WeiGang Technology has agreed to subscribe for 3,500,495,099 shares of HK$0.01 each in the share capital of the Company at the subscription price in the sum equivalent to the amount of HK$41,307,518 (equivalent to RMB33,518,000) which was satisfied by capitalising the loan amount of HK$41,307,518 (equivalent to RMB33,518,000).

(v) Mr. Ren has assigned a loan amounting to HK$13,728,700 (equivalent to RMB11,140,000) due from Jade Road to his wholly owned entity, namely, Jade Fly.

(vi) The Company has agreed to undertake the loan amounting to HK$13,728,700 (equivalent to RMB11,140,000) due to Jade Fly from Jade Road. Following the assignment of the loan to Jade Fly in step (iii) above, the total amount owed by the Company to Jade Fly is HK$17,691,182 (equivalent to RMB14,356,000).

(vii) Jade Fly has agreed to subscribe for 1,499,497,901 shares of HK$0.01 each in the share capital of the Company at the subscription price in the sum equivalent to the amount of HK$17,691,182 (equivalent to RMB14,356,000) which was satisfied by capitalising the loan amount of HK$17,691,182 (equivalent to RMB14,356,000).

42. SHARE-BASED PAYMENT TRANSACTION

On 30 April 2017, the shareholders of Guangzhou Weigang have passed the shareholders resolution to implement an employee incentive scheme to grant share options to the employees of the Group. On the same date, share options are granted to 35 employees of Guangzhou Weigang. The number of shares awarded shall equal [**REDACTED**]% of the total number of shares of the Company upon the [**REDACTED**]. If the [**REDACTED**] does not complete by 31 December 2018, Guangzhou Weigang or the Company is entitled to amend, terminate or cancel the employee incentive scheme.

The share options granted on 30 April 2017 shall be exercisable unless and until the [**REDACTED**] and be exercisable in the following three batches:

(i) the first batch being exercisable after the second anniversary of the date of the [**REDACTED**];

(i) the second batch being exercisable after the third anniversary of the date of the [**REDACTED**]; and

(ii) the last batch is being exercisable after the fourth anniversary of the date of the [**REDACTED**].

As the vesting of the share options is contingent on the success [**REDACTED**] of the Company, in the opinion of the directors of the Company, no share-based payment expense shall be recognised unless and until the [**REDACTED**] is probable. As a result, there is no expense has yet been recognised during the Track Record Period.

[Subsequent to the end of the Track Record Period, on [●], the Company has conditionally adopted the [**REDACTED**] Share Option Scheme as defined and detailed in Appendix IV to the Document.]

43. PARTICULARS OF SUBSIDIARIES

	At 31 December 2017	At 30 June 2018
	RMB'000	*RMB'000*
The Company		
– Unlisted investments in subsidiaries, at cost	8	8
	8	8

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Group					Principal activities	Notes
			As at 31 December			At 30 June	At the date of this report		
			2015	2016	2017	2018			
			%	%	%	%	%		
Directly held									
WeiGang Environment 維港環境有限公司	11 May 2017 BVI	US$1	N/A	N/A	100.00	100.00	100.00	Investment holding	*(a)*
Jade Far 杰發投資有限公司	16 May 2017 BVI	US$1,001	N/A	N/A	100.00	100.00	100.00	Investment holding	*(a)*
Indirectly held									
Weigang Holdings (Hong Kong) 維港控股(香港)有限公司	19 September 2016 Hong Kong	HK$10,000	N/A	N/A	100.00	100.00	100.00	Investment holding	*(b)*
Jade Road 杰路投資有限公司	28 October 2015 Hong Kong	HK$10,000	N/A	N/A	100.00	100.00	100.00	Investment holding	*(c)*
Guangzhou Weigang 廣州維港環保科技有限公司	15 July 2009 The PRC	As at 31 December 2015, 2016, 2017: RMB10,000,000 As at 30 June 2018: RMB50,000,000 (issued and fully paid up capital) RMB400,000,000 (registered capital)	100.00	100.00	100.00	90.00	90.00	Providing solutions for solid waste treatment	*(d)*

Name of subsidiaries	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Group					Principal activities	*Notes*
			As at 31 December			At 30 June	At the date of this		
			2015	2016	2017	2018	report		
			%	%	%	%	%		
Xinjiang Wosen 新疆沃森環保科技有限責任公司	17 November 2011 The PRC	RMB5,000,000	50.00	100.00	100.00	100.00	100.00	Providing research and development of environmental protection technologies and facilities	*(e)*
Shenzhen Xinnengji 深圳新能極科技有限公司	24 November 2016 The PRC	As at 31 December 2017: RMB10,300,000 As at 30 June 2018: RMB12,500,000 (issued and fully paid up capital) As at 31 December 2017 and 30 June 2018: RMB28,000,000 (registered capital) *(Note g)*	N/A	–	72.86	72.86	100.00	Providing research and development of environmental protection technologies and facilities	*(e)*
Chaozhou Xinnengji 潮州市新能極環保科技有限公司	16 March 2017 The PRC	RMB nil (issued and fully paid up capital) RMB10,000,000 (registered capital) *(Note h)*	N/A	N/A	90.00	90.00	90.00	No business activity as at the date of this report	*(f)*
Guangdong Lvhuan 廣東綠環泰安環保有限公司	28 August 2017 The PRC	RMB60,000 (issued and fully paid up capital) RMB10,000,000 (registered capital) *(Note i)*	N/A	N/A	51.00	51.00	51.00	No business activity as at the date of this report	*(f)*
Weierneng Environmental Protection Technology (Suzhou) Limited ("Weierneng Environmental") 威爾能環保科技(蘇州)有限公司	25 July 2018 The PRC	As at the date of this report: RMB1,100,000 (issued and fully paid capital) RMB20,000,000 (registered capital) *(Note j)*	N/A	N/A	N/A	N/A	51%	No business activity as at the date of this report	

Notes:

(a) No audited financial statements of the Company, WeiGang Environment and Jade Far have been prepared since their respective dates of incorporation as they are incorporated in the jurisdiction where there are no statutory audit requirements.

(b) The statutory financial statements of Weigang Holdings (Hong Kong) for the period from 19 September 2016 (date of incorporation) to 31 December 2016 and for the year ended 31 December 2017 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the HKICPA and were audited by Joseph K.H. Ng & Co., Certified Public Accountants.

(c) The statutory financial statements of Jade Road for the period from 28 October 2015 (date of incorporation) to 31 December 2016 and for the year ended 31 December 2017 were prepared in accordance with the SME-FRS issued by HKICPA and were audited by Messrs. Alexander Wan & Co., Certified Public Accountants (Practising).

(d) The statutory financial statements of Guangzhou Weigang for the year ended 31 December 2015, 2016 and 2017 were prepared in accordance with the relevant accounting principal and regulation applicable to entities established in the PRC and were audited by 廣州南華會計師事務所有限公司.

As of 30 June 2018, an amount of RMB10,000,000 had been paid to Guangzhou Weigang by the Group as capital injection and an amount of RMB40,000,000 had been paid to Guangzhou Weigang by Orient Landscape as capital injection. The outstanding amount of RMB350,000,000 has not yet been paid by the Group.

(e) The statutory financial statements of Xinjiang Wosen and Shenzhen Xinnengji for the year ended 31 December 2015, 2016 and 2017 were prepared in accordance with the relevant accounting principal and regulation applicable to entities established in the PRC and were audited by 廣州恒越會計師事務所有限公司.

(f) No statutory audited financial statements of Chaozhou Xinnengji and Guangdong Lvhuan have been prepared for the period from the respective date of establishment to 31 December 2017 as they are newly established and were remain inactive as at 30 June 2018.

(g) Shenzhen Xinnengji was established by an independent third party, Party A, as a limited liability company under the laws of PRC on 24 November 2016. Immediately upon its establishment, the equity interest in Shenzhen Xinnengji was wholly owned by Party A, who had subscribed for RMB7,600,000 registered capital in Shenzhen Xinnengji. On 8 March 2017, Guangzhou Weigang subscribed RMB20,400,000 registered capital in Shenzhen Xinnengji and became a shareholder of Shenzhen Xinnengji holding approximately 72.86% equity interest in Shenzhen Xinnengji, while Party A held the remaining 27.14% equity interest in Shenzhen Xinnengji. On 8 March 2017, Shenzhen Xinnengji was remained inactive. No assets and liabilities were recorded in the accounting record of Shenzhen Xinnengji since its establishment. According to the articles of association of Shenzhen Xinnengji, the capital injection of the shareholders should be paid to Shenzhen Xinnengji no later than 31 March 2018.

As of 30 June 2018, an amount of RMB12,500,000 had been paid to Shenzhen Xinnengji as capital injection by the Group. As at the date of this report, the outstanding amount of RMB7,900,000 and RMB7,600,000 has not yet been paid by the Group and Party A, respectively.

On 14 September 2018, Guangzhou Weigang acquired the remaining 27.14% equity interest in Shenzhen Xinnengji from Party A at consideration of RMB1.

(h) Chaozhou Xinnengji was established as a limited liability company under the laws of PRC on 16 March 2017. Immediately upon its establishment, the equity interest in Chaozhou Xinnengji was owned as to 90% by Shenzhen Xinnengji and 10% by an independent third party, Party B. According to the articles of association of Chaozhou Xinnengji, the capital injection of the shareholders should be paid to Chaozhou Xinnengji no later than 15 March 2027. As of 30 June 2018, and at the date of this report, no capital injection has been paid by the Group and Party B. At the date of this report, Chaozhou Xinnengji is in the process of deregistration.

(i) Guangdong Lvhuan was established as a limited liability company under the laws of PRC on 28 August 2017. Immediately upon its establishment, the equity interest in Guangdong Lvhuan was owned as to 51% by Guangzhou Weigang and 49% by an independent third party, Party C. According to the articles of association of Guangdong Lvhuan, the capital injection of the shareholders should be paid to Guangdong Lvhuan no later than 31 July 2020.

As of 30 June 2018, an amount of RMB60,000 had been paid to Guangdong Lvhuan as capital injection by the Group. As at the date of this report, the outstanding capital amount of RMB5,040,000 and RMB4,900,000 has not yet been injected by the Group and Party C, respectively.

(j) Weierneng Environmental was established as a limited liability company under the laws of the PRC on 25 July 2018 and an indirectly non-wholly owned subsidiary of the Company, which is owned as to 51% by Shenzhen Xinnengji and 49% by an independent third party, Party D. According to the articles of association of Weierneng Environmental, the capital injection of the shareholders should be paid to Weierneng Environmental no later than 31 August 2037.

As at the date of this report, an amount of RMB1,100,000 has been paid to Weierneng Environmental by Party D. The outstanding amount of RMB10,200,000 and RMB8,700,000 has not been paid by the Group and Party D, respectively. As at the date of this report, Weierneng Environmental has not commenced any business.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as the financial year end date.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that have material non-controlling interests as at 30 June 2018:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 30/06/2018	Profit allocated to non-controlling interests 30/06/2018 *RMB'000*	Accumulated non-controlling interests 30/06/2018 *RMB'000*
Guangzhou Weigang	The PRC	10%	3,079	21,689

As at 31 December 2015, 2016 and 2017, non-wholly owned subsidiaries of the Group with non-controlling interests are individually immaterial.

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests as at 30 June 2018 is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Guangzhou Weigang	**At 30 June 2018** *RMB'000*
Current assets	279,298
Non-current assets	68,788
Current liabilities	118,254
Non-current liabilities	21,940
Equity attributable to owners of the Company	195,203
Non-controlling interests of Guangzhou Weigang	21,689

	Six months ended 30 June 2018 *RMB'000*
Revenue	179,644
Expenses	(148,851)
Profit and total comprehensive income for the period	30,793
Profit and total comprehensive income attributable to owners of the Company	27,714
Profit and total comprehensive income attributable to the non-controlling interests of Guangzhou Weigang	3,079
Profit and total comprehensive income for the period	30,793

	Six months ended 30 June 2018 *RMB'000*
Dividends paid to non-controlling interests of Guangzhou Weigang	–
Net cash outflow from operating activities	(50,244)
Net cash outflow from investing activities	(24,305)
Net cash inflow from financing activities	93,132
Net cash inflow	18,583

44. SUBSEQUENT EVENTS

Saved as disclosed in this report, subsequent to the end of the Track Record Period, the following significant events took place:

On 10 December 2018, the [**REDACTED**] Share Option Scheme was conditionally approved and adopted by the board of directors of the Company, of which the principal terms are set out in the subsection headed "[**REDACTED**] Share Option Scheme" in Appendix IV to this document.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company, or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2018.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 May 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [10 December 2018]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting,

but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is [**REDACTED**] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 18 May 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 13 June 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability under the name of "WeiGang Environmental Protection Holdings Limited 维港环保控股有限公司" on 18 May 2017. The name of our Company was changed to "Weigang Environmental Technology Holding Group Limited 维港环保科技控股集团有限公司" on 13 July 2017.

As our Company is incorporated in the Cayman Islands, its operations are subject to the Cayman Islands law and its constitution comprises the Memorandum and the Articles. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law are set out in Appendix III to this document.

Our Company has established a place of business in Hong Kong at Unit 3507, 35/F, AIA Tower, 183 Electric Road, North Point, Hong Kong and was registered with the Hong Kong Companies Registry as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 February 2018. Mr. Gu Chunbin has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Room 2009, Tower A, Harbourfront Horizon, 8 Hung Luen Road, Hung Hom, Kowloon, Hong Kong.

2. Changes in Share Capital

(a) As at the date of incorporation of our Company, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On the date of its incorporation, one Share was allotted and issued at par to the initial subscriber, Vistra (Cayman) Limited, an Independent Third Party, which was subsequently transferred to WeiGang Technology on 18 May 2017. On the same day, 5,249 Shares were further allotted and issued, at par, to WeiGang Technology.

(b) On 8 September 2017, in consideration of Jade Fly transferring 1,001 shares in Jade Far, representing the then entire issue share capital of Jade Far, to our Company, our Company allotted and issued 1,750 Shares, credited as fully paid, to Jade Fly.

(c) On 26 January 2018, the authorised share capital of our Company was increased to HK$200,000,000 divided into 20,000,000,000 Shares of a par value of HK$0.01 each. On the same day, in consideration of capitalisation of Shareholder's loans of HK$41,307,518 and HK$17,691,182 owed by our Company to WeiGang Technology and Jade Fly, respectively, our Company allotted and issued 3,500,495,099 Shares and 1,499,497,901 Shares, credited as fully paid, to WeiGang Technology and Jade Fly, respectively. For further details on such loan capitalisation, please refer to the subsection headed "History, Reorganisation and Group Structure – Reorganisation – (7) Loan Capitalisation Issue and Share Consolidation".

(d) On 26 January 2018, our Company consolidated every five ordinary Shares of a par value of HK$0.01 each in the authorised (whether issued or unissued) share capital of our Company into one Share of a par value of HK$0.05 each. Immediately following the Share Consolidation, the authorised share capital of the Company became HK$200,000,000 divided into 4,000,000,000 ordinary Shares of a par value of HK$0.05 each, and WeiGang Technology and Jade Fly held 700,100,000 Shares and 299,900,000 Shares in our Company, respectively.

(e) On 13 February 2018, 6,655,353 fully paid Shares and 9,500,000 fully paid Shares were allotted and issued at the subscription price of approximately HK$1.05 (equivalent to approximately RMB0.85) per Share, to Mr. Siu Waiyuen and Mr. Ng Ho Man, respectively.

(f) On 9 April 2018, 4,708,647 fully paid Shares were allotted and issued at the subscription price of approximately HK$1.06 (equivalent to approximately RMB0.85) per Share, to Mr. Chen Chien-Ming.

(g) Immediately following the completion of the [**REDACTED**] (but excluding all Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme), the issued share capital of our Company will be HK$[**REDACTED**] divided into [**REDACTED**] Shares, all of which will be fully paid or credited as fully paid and [**REDACTED**] Shares will remain unissued. Other than pursuant to the exercise of the [**REDACTED**] and any options granted under the [**REDACTED**] Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and no issue of Shares which would effectively alter the control of our Company will be made without the prior approval of the members of our Company in general meeting.

(h) Save as aforesaid, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in Writing of our Shareholders Passed on 10 December 2018

By resolutions in writing of our Shareholders passed on 10 December 2018, the following resolutions, among others, were passed:–

(a) our Company approved and adopted its memorandum and Articles which will take effect upon [**REDACTED**], the terms of which are summarised in Appendix III to this document;

(b) conditional on (i) the [**REDACTED**] granting the [**REDACTED**] of, and permission to [**REDACTED**], our Shares in issue and to be issued (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme) and such [**REDACTED**] and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange; (ii) the [**REDACTED**] having been agreed between us and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]); (iii) the execution and

delivery of the [**REDACTED**] on or around the [**REDACTED**]; and (iv) the obligations of the [**REDACTED**] under each of the respective [**REDACTED**] becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the [**REDACTED**], on behalf of the [**REDACTED**]) and such obligations not being terminated in accordance with the terms of the respective [**REDACTED**], in each case, on or before the dates and times as may be specified in the respective [**REDACTED**] (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than 30 days after the date of this document:–

(i) the [**REDACTED**] was approved and our Directors were authorised to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**];

(ii) the [**REDACTED**] was approved;

(iii) the rules of the [**REDACTED**] Share Option Scheme were approved and adopted and our Directors were authorised to grant share options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options granted under the [**REDACTED**] Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise during the Relevant Period (as defined below) all the power of our Company to allot, issue and deal with, otherwise than by way of Rights Issue (as defined below), scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of options under the [**REDACTED**] Share Option Scheme or pursuant to the [**REDACTED**], unissued Shares not exceeding 20% of the total number of Shares of our Company in issue immediately following the completion of the [**REDACTED**] (but excluding all Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme), and to make or grant offers, agreements or options which would or might require the exercise of such powers either during or after the Relevant Period; and

for the purpose of this resolution, "**Relevant Period**" means the period from the passing of this resolution until the earliest of:

(A) the conclusion of the next annual general meeting of our Company;

(B) the expiration of the period within which the next annual general meeting of our Company is required to be held under the Articles or the Companies Law or any other applicable laws; and

(C) the date of passing of an ordinary resolution by the Shareholders at a general meeting revoking or varying the authority given to our Directors under this resolution; and

for the purpose of this resolution, "**Rights Issue**" means the allotment or issue of Shares pursuant to an offer of Shares open for a period fixed by our Directors to holders of Shares on the register of members of our Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as our Directors may deem necessary or expedient in relation to fractions entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or of the requirements of any recognised regulatory body or any stock exchange applicable to our Company);

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company, subject to and in accordance with all applicable laws and the Listing Rules, to repurchase Shares [**REDACTED**] on the Stock Exchange or any other stock exchange recognised for this purpose by the SFC and the Stock Exchange at such price as our Directors may at their discretion determine provided that the number of Shares to be repurchased pursuant to this resolution shall not exceed 10% of the aggregate number of Shares in issue immediately following the completion of the [**REDACTED**] (but excluding all Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme) until the earliest of:

(A) the conclusion of the next annual general meeting of our Company;

(B) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or the Companies Law or any other applicable laws; and

(C) the date of passing of an ordinary resolution by the Shareholders at a general meeting revoking or varying the authority given to our Directors under this resolution; and

(vi) the general unconditional mandate referred to in sub-paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be conditionally or unconditionally allotted and issued by our Directors pursuant to such general mandate of a number representing the aggregate number of Shares repurchased by our Company pursuant to the general repurchase mandate referred to in sub-paragraph (v) above.

(c) each of the service agreements between each executive Director and our Company and each of the appointment letters between each non-executive Director or independent non-executive Director (as the case may be) and our Company were approved, ratified and confirmed.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the [**REDACTED**]. For information relating to the Reorganisation, please refer to the subsection headed "History, Reorganisation and Group Structure – Reorganisation".

5. Changes in Share Capital of Subsidiaries

Our subsidiaries are referred to in the accountants' report in Appendix I to this document.

(a) WeiGang Environment

On 11 May 2017, WeiGang Environment was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On 8 June 2017, WeiGang Environment allotted and issued at par one share, representing its then entire issued share capital, to our Company.

(b) Jade Far

On 16 May 2017, Jade Far was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of its incorporation, Jade Far allotted and issued at par one share, representing its then entire issued share capital, to Jade Fly. On 7 July 2017, 1,000 shares in Jade Far was further allotted and issued at par to Jade Fly.

(c) Weigang Holdings (Hong Kong)

On 19 September 2016, Weigang Holdings (Hong Kong) was incorporated in Hong Kong as a limited liability company. On the date of its incorporation, Weigang Holdings (Hong Kong) allotted and issued 10,000 shares, representing its then entire issued share capital, to Weigang Holdings (BVI) for a consideration of HK$10,000.

(d) Jade Road

On 28 October 2015, Jade Road was incorporated in Hong Kong as a limited liability company. On the date of its incorporation, Jade Road allotted and issued 10,000 shares, representing its then entire issued share capital, to Mr. Ren for a consideration of HK$10,000. During the period from 24 October 2016 to 13 March 2017, such shares were held on trust by Mr. Ren's business partner, Ms. Zhang Qilin, an Independent Third Party, for his benefit to relieve him of administrative duties. Such arrangement was terminated on 13 March 2017 when both legal and beneficial ownership of the entire issued shares in Jade Road were transferred to Mr. Ren, allowing him to focus on his investment in Jade Road. On 7 July 2017, Mr. Ren transferred 10,000 shares, representing the entire issued share capital in Jade Road, to Jade Far. In consideration of the transfer, on the same day, Jade Far allotted and issued 1,000 shares, credited as fully paid, to Jade Fly.

(e) Guangzhou Weigang

On 15 July 2009, Guangzhou Weigang was established as a limited liability company under the laws of the PRC with an initial registered capital of RMB10,000,000. Immediately upon its establishment, the equity interest in Guangzhou Weigang was owned as to 70% by Mr. Cai and as to 30% by Ms. Huang, respectively. On 8 November 2016, Ms. Huang and Jade Road entered into an equity interest transfer agreement whereby Jade Road agreed to purchase, and Ms. Huang agreed to sell, 25% equity interest in Guangzhou Weigang to Jade Road at a consideration of RMB12.1 million which was determined with reference to the net asset value of Guangzhou Weigang as at 31 May 2016. The consideration was fully settled on 24 January 2017. The sale proceeds were put to personal use of Ms. Huang. Such transfer was validly completed on 26 December 2016 the date on which the registration of such transfer with the relevant PRC authority was completed.

On 5 August 2017, Weigang Holdings (Hong Kong), an indirectly wholly owned subsidiary of our Company, acquired 70% and 5% equity interest in Guangzhou Weigang from Mr. Cai and Ms. Huang at the consideration of HK$42.25 million and HK$3.02 million, respectively, which was determined with reference to the net asset value of Guangzhou Weigang as at 31 October 2016. The considerations were fully settled on 1 December 2017.

Following the subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape on 4 April 2018, Guangzhou Weigang increased its registered capital from RMB10,000,000 to RMB400,000,000 which was owned as to 67.5%, 22.5% and 10% by Weigang Holdings (Hong Kong), Jade Road and Orient Landscape, respectively. For the details on the subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape, please refer to the subsection headed "History, Reorganisation and Group Structure – Reorganisation – (9) Subscription of 10% equity interest in Guangzhou Weigang by Orient Landscape" of this document.

(f) Shenzhen Xinnengji

Shenzhen Xinnengji was established as a limited liability company under the laws of PRC on 24 November 2016 with an initial registered capital of RMB7.6 million, whose equity interest was wholly owned by Mr. Li Yuanjing. On 8 March 2017, Guangzhou Weigang subscribed for and acquired the registered capital of RMB20.4 million in Shenzhen Xinnengji. As a result of such subscription, the registered capital of Shenzhen Xinnengji increased from RMB7.6 million to RMB28 million on 8 March 2017, which was owned as to 72.86% and 27.14% by Guangzhou Weigang and Mr. Li Yuanjing respectively. Mr. Li Yuanjing is an Independent Third Party, save for his interest in options granted pursuant to the [**REDACTED**] Share Option Scheme. For details on his interest in such options, please refer to the subsection headed "D. [**REDACTED**] Share Option Scheme" in this appendix. Guangzhou Weigang acquired Shenzhen Xinnengji's remaining 27.14% equity interest from Mr. Li Yuanjing on 14 September 2018 at a nominal consideration agreed between them based on the fact that Mr. Li Yuanjing had not paid the registered capital subscribed by him in respect of the 27.14% equity interest of Shenzhen Xinnengji.

(g) Chaozhou Xinnengji

Chaozhou Xinnengji was established as a limited liability company under the laws of the PRC on 16 March 2017 with a registered capital of RMB10 million, which was owned as to 90% by Shenzhen Xinnengji and 10% by Mr. Guo Xudong, who is an Independent Third Party save for his interest in and being a director of Chaozhou Xinnengji. There was no change in the registered capital of Chaozhou Xinnengji since its establishment up to the Latest Practicable Date. Chaozhou Xinnengji is currently under the process of deregistration. For further details, please refer to the subsection headed "History, Reorganisation and Group Structure – Corporate History – Deregistration of Chaozhou Xinnengji".

(h) Guangdong Lvhuan

Guangdong Lvhuan was established as a limited liability company under the laws of the PRC on 28 August 2017 with a registered capital of RMB10 million, which was owned as to 51% by Guangzhou Weigang and 49% by Guangdong Xingyue, which is an Independent Third Party save for its interest in Guangdong Lvhuan. There was no change in the registered capital of Guangdong Lvhuan since its establishment up to the Latest Practicable Date.

(i) Xinjiang Wosen

Xinjiang Wosen was established as a limited liability company under the laws of PRC on 17 November 2011 with a registered capital of RMB10 million which was owned by five Independent Third Parties. On 13 December 2012, Mr. Cai acquired 10% equity interest in Xinjiang Wosen from an Independent Third Party at the consideration of RMB1 million. On 2 November 2015, Xinjiang Wosen reduced its registered capital from RMB10 million to RMB5 million, which remained owned as to 20% and 80% by Mr. Cai and two Independent Third Parties, respectively. On 25 November 2015, Guangzhou Weigang acquired 20% equity interest in Xinjiang Wosen from Mr. Cai at a consideration of RMB1 million and 30% from two Independent Third Parties at an aggregate consideration of RMB1.5 million. Guangzhou Weigang further acquired the remaining 50% equity interest in Xinjiang Wosen from two Independent Third Parties on 13 December 2016 at an aggregate consideration of RMB2.5 million.

(j) Weierneng Environmental

Weierneng Environmental was established as a limited liability company under the laws of the PRC on 25 July 2018 with a registered capital of RMB20 million, which was owned as to 51% by Shenzhen Xinnengji and 49% by Shandong Kangrong, which is an Independent Third Party save for its interest in Weierneng Environmental. There was no change in the registered capital of Weierneng Environmental since its establishment up to the Latest Practicable Date.

As advised by our PRC Legal Advisers, each of the acquisitions, transfer of equity interest, disposals and mergers (if any) mentioned above, insofar as PRC law is concerned, was properly and legally completed and settled and was in compliance with relevant PRC laws and regulations, and all necessary regulatory approvals have been obtained.

Save for the changes disclosed above and in this document, there were no changes to the share capital of our subsidiaries within two years immediately preceding the date of this document.

6. Purchase by our Company of its Own Securities

(a) Introduction

This section contains information required by the Stock Exchange to be included in this document concerning the purchase by our Company of any of its own securities.

(b) Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board to purchase their own securities on the Stock Exchange subject to certain restrictions. The most important restrictions contained in the Listing Rules are summarised below:–

(a) Shareholders' approval

The Listing Rules provide that all proposed securities repurchases (which must be fully paid up in case of shares) on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, which may be by way of general mandate or by a special approval in relation to a specific transaction. For details of the Repurchase Mandate granted to our Directors pursuant to the written resolution passed by our Shareholders on 10 December 2018, please refer to the paragraph headed "A. Further Information about Our Company – 3. Resolutions in writing of our Shareholders Passed on 10 December 2018" in this appendix.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws of the Cayman Islands and Hong Kong. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, out of the share premium account or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on the repurchase must be provided for out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) Trading restrictions

The Listing Rules also prohibit a company from purchasing its own securities on the Stock Exchange:

(i) at any time after inside information (as defined under the SFO) has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of:

(A) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and

(B) the deadline for the company to announce its results for any year, half-year under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, the company may not purchase its shares on the Stock Exchange, unless the circumstances are exceptional;

(ii) if the purchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange; and

(iii) if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(d) Status of repurchased shares

The Listing Rules provide that the listing of all repurchased securities shall, subject to the applicable law, be cancelled upon repurchase irrespective of whether such repurchase takes place on the Stock Exchange, and that the relevant certificates of title must be cancelled and destroyed.

Under the law of the Cayman Islands, our Company's repurchased Shares will be treated as cancelled unless our Directors resolve to hold such Shares as treasury Shares.

(e) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(f) Connected parties

The Listing Rules prohibit a company from knowingly repurchasing its shares from a core connected person and a core connected person shall not knowingly sell his shares to the company.

(c) Exercise of the Repurchase Mandate

On the basis of [**REDACTED**] Shares in issue immediately after the completion of the [**REDACTED**] (but excluding all Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme), our Directors will be allowed under the Repurchase Mandate to purchase up to [**REDACTED**] Shares during the term of the Repurchase Mandate.

(d) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders to have a general authority from our Shareholders to enable our Directors act on behalf of our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share of our Company and/or its earnings per Share and such repurchases will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(e) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles and the applicable laws of Hong Kong (including the Listing Rules) and the Cayman Islands.

On the basis of the combined net tangible assets of our Group as at 31 December 2017 (being the date of which the latest audited accounts of the Company were made up), and taking into account the estimated [**REDACTED**] of the [**REDACTED**] and the current working capital position of our Group, our Directors consider that no material adverse effect on the working capital requirements and gearing position of our Group may result in the event that the Repurchase Mandate were to be exercised in full during the period before the Repurchase Mandate expires. In any event, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(f) General

None of our Directors, or to the best of their knowledge having made all reasonable enquiries, any close associate of any Director, have any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles and the applicable laws of the Cayman Islands and Hong Kong.

If, as the result of a share repurchase, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, could, depending on the level of increase of its or their interest, obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Our Directors are not aware of any Shareholder or group of Shareholders acting in concert who will become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares if the Repurchase Mandate is exercised in full.

No core connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of our Group within the two years preceding the date of this document and are or may be material in relation to the business of our Group taken as a whole:–

(a) an equity transfer agreement (股權轉讓合同) (in Chinese) dated 13 December 2016 entered into between Mr. Gao Chunfa (高春發) and Guangzhou Weigang, pursuant to which Guangzhou Weigang agreed to acquire 25% equity interest in Xinjiang Wosen from Mr. Gao Chunfa for a consideration of RMB1.25 million;

(b) an equity transfer agreement (股權轉讓合同) (in Chinese) dated 13 December 2016 entered into between Mr. Xu Zhiqian (徐志謙) and Guangzhou Weigang, pursuant to which Guangzhou Weigang agreed to acquire 25% equity interest in Xinjiang Wosen from Mr. Xu Zhiqian for a consideration of RMB1.25 million;

(c) an equity transfer agreement (股權轉讓協議) (in Chinese) dated 5 August 2017 entered into between Mr. Cai and Weigang Holdings (Hong Kong), pursuant to which Weigang Holdings (Hong Kong) agreed to acquire 70% equity interest in Guangzhou Weigang from Mr. Cai for a consideration of HK$42,250,000;

(d) an equity transfer agreement (股權轉讓協議) (in Chinese) dated 5 August 2017 entered into between Ms. Huang and Weigang Holdings (Hong Kong), pursuant to which Weigang Holdings (Hong Kong) agreed to acquire 5% equity interest in Guangzhou Weigang from Ms. Huang for a consideration of HK$3,020,000;

(e) a deed of loan assignment and novation and loan capitalisation dated 26 January 2018 entered into among Mr. Cai, WeiGang Technology, Weigang Holdings (Hong Kong), Mr. Ren, Jade Fly, Jade Road and our Company relating to the loan assignment and novation and the Loan Capitalisation Issue as referred to the paragraph headed "A. Further Information about our Company – 2. Changes in Share Capital" in this appendix;

(f) a share purchase agreement dated 13 February 2018 entered into between Mr. Ng Ho Man, our Company, Mr. Cai, WeiGang Technology, Weigang Green, Guangzhou Weigang, Xinjiang Wosen, Shenzhen Xinnengji and Guangdong Lvhuan for subscription of 9,500,000 Shares, as further described in the subsection headed "History, Reorganisation and Group Structure – [**REDACTED**] Investments";

(g) a share purchase agreement dated 13 February 2018 entered into between Mr. Siu Waiyuen, our Company, Mr. Cai, WeiGang Technology, Weigang Green, Guangzhou Weigang, Xinjiang Wosen, Shenzhen Xinnengji and Guangdong Lvhuan for subscription of 6,655,353 Shares, as further described in the subsection headed "History, Reorganisation and Group Structure – [**REDACTED**] Investments";

(h) a share purchase agreement dated 28 March 2018 entered into between Mr. Chen Chien-Ming, our Company, Mr. Cai, WeiGang Technology, Weigang Green, Guangzhou Weigang, Xinjiang Wosen, Shenzhen Xinnengji and Guangdong Lvhuan for subscription of 4,708,647 Shares, as further described in the subsection headed "History, Reorganisation and Group Structure – [**REDACTED**] Investments";

(i) an investment agreement (投資協議) (in Chinese) dated 4 April 2018 entered into between Guangzhou Weigang, Weigang Holdings (Hong Kong), Jade Road, Jade Fly, WeiGang Technology and Orient Landscape pursuant to which Orient Landscape agreed, among others, to subscribe for the registered capital of RMB40,000,000 in Guangzhou Weigang, representing 10% of the equity interest in Guangzhou Weigang, at a consideration of RMB94,444,444;

(j) a joint venture agreement in relation to Guangzhou Weigang (廣州維港環保科技有限公司合資合同) (in Chinese) (for filing purpose) dated 4 April 2018 entered into between Weigang Holdings (Hong Kong), Jade Road and Orient Landscape pursuant to which Orient Landscape agreed, among others, to subscribe for the registered capital of RMB40,000,000 in Guangzhou Weigang, representing 10% of the equity interest in Guangzhou Weigang, at a consideration of RMB94,444,444;

(k) a joint venture agreement in relation to Guangzhou Weigang (廣州維港環保科技有限公司合資合同) (in Chinese) dated 4 April 2018 entered into between Weigang Holdings (Hong Kong), Jade Road and Orient Landscape pursuant to which Orient Landscape agreed, among others, to subscribe for the registered capital of RMB40,000,000 in Guangzhou Weigang, representing 10% of the equity interest in Guangzhou Weigang, at a consideration of RMB94,444,444;

(l) the Deed of Non-competition;

(m) the Deed of Indemnity; and

(n) the [**REDACTED**].

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks, which is material to the business operation of our Group:

Trademark	Registration number	Name of registered owner	Place of registration	Class	Expiry date
A. 维港环保 WEIGANG ENVIRONMENT B. 维港环保 WEIGANG ENVIRONMENT	304356667	Our Company	Hong Kong	7, 16, 37, 40, 42	3 December 2027
A. B.	304356676	Our Company	Hong Kong	7, 16, 37, 40, 42	3 December 2027
WEIGANG ENVIRONMENT	304356694	Our Company	Hong Kong	7, 16, 37, 40, 42	3 December 2027
SYNERGY	23865616	Shenzhen Xinnengji	PRC	37	27 June 2028
SYNERGY	23865812	Shenzhen Xinnengji	PRC	42	13 September 2028
SYNERGY	23865764	Shenzhen Xinnengji	PRC	40	27 August 2028
VECAN ENVIRONMENT	25939403	Guangzhou Weigang	PRC	7	6 September 2028
VECAN ENVIRONMENT	25954121	Guangzhou Weigang	PRC	37	6 September 2028
VECAN ENVIRONMENT	25950814	Guangzhou Weigang	PRC	40	6 September 2028
VECAN ENVIRONMENT	25937950	Guangzhou Weigang	PRC	42	6 September 2028
WEIGANG ENVIRONMENT	25950819	Guangzhou Weigang	PRC	40	27 September 2028
WEIGANG ENVIRONMENT	25949230	Guangzhou Weigang	PRC	40	27 September 2028

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Application number	Name of applicant	Place of registration	Class	Application date
	25949184	Guangzhou Weigang	PRC	7	18 August 2017
	25938062	Guangzhou Weigang	PRC	7	18 August 2017

Notes:

Trademark classification are as follows:

Class 7: machines and machine tools; motors and engines; machine coupling and transmission components; sewage pulverisers; waste compacting machines; shredders for industrial use (machine); pulveriser; garbage (waste) disposal devices; garbage disposers; waste treatment equipment; waste disposers; pneumatic controller of machines, motors and engines; hydraulic controller of machines, motors and engines; motors and engines (except for land vehicles).

Class 16: Paper and cardboard; printed matter; bookbinding material; photographs; stationery and office requisites; paper or paper products; notebooks; booklets (handbooks); stationery; writing instruments; cards; writing paper; envelope; magazines; periodicals; leaflets; paper (not included in other classes); book binding material; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional or teaching material (except apparatus); plastic materials for packaging (not included in other classes).

Class 37: Repair services; electrical appliances installation and repair; mechanical installation, maintenance and repair.

Class 40: Materials treatment services; recovery and utilisation of wastes and garbage; incineration for wastes and garbage.

Class 42: Scientific and technological services and research and design services relating thereto; industrial analysis and research; writing scientific manuscripts; engineering drafting; technical research; engineering; consultation in the field of energy conservation; research on technical projects; research in the field of environmental protection; energy auditing; research and development of new products for others; providing information, advice and consultation on carbon offsetting; design of interior decoration; quality assessment; quality control; consultation in the field of energy conservation; physical research; chemical research; design and development of computer hardware and software.

(b) Patents

As at the Latest Practicable Date, our Group was the registered owner of the following patents, which are material in relation to the business operation of our Group:

Patent	Name of registered owner	Type	Registration number	Duration of validity
Garbage incinerator double-layer rational flow over-fire air arranging devices* (垃圾焚燒爐雙層旋流燃盡風布置裝置)	Guangzhou Weigang	Invention	ZL201110250190.9	29 August 2011 – 28 August 2031
An organic carbon ecological slow release fertiliser and preparation method* (有機碳生態緩釋肥及其製備方法)	Guangzhou Weigang	Invention	ZL201210232881.0	6 July 2012 – 5 July 2032
A domestic waste fluidised bed anaerobic cracking device* (一種生活垃圾流化床無氧裂解裝置)	Guangzhou Weigang	Utility model	ZL201420646322.9	3 November 2014 – 2 November 2024
A multi-stage hydraulic mechanical waste incinerator* (一種多級液壓機械式垃圾焚燒爐)	Guangzhou Weigang	Utility model	ZL201520805302.6	15 October 2015 – 14 October 2025
A low temperature vacuum dehydrating and drying facility* (一種低溫真空脫水乾化成套設備)	Guangzhou Weigang	Utility model	ZL201520807481.7	15 October 2015 – 14 October 2025
A flue gas heat recycling system and heat exchanger monitoring device* (一種煙氣餘熱回收系統換熱器監控裝置)	Guangzhou Weigang	Utility model	ZL201520805301.1	15 October 2015 – 14 October 2025
A filtering-pressurised detector for leakage in bag-type dust remover (一種濾壓式布袋除塵檢漏儀)	Guangzhou Weigang	Utility model	ZL201520804789.6	15 October 2015 – 14 October 2025

Patent	Name of registered owner	Type	Registration number	Duration of validity
Adhesive waste anaerobic thermal cracking system* (一種粘性垃圾無氧熱裂解系統)	Shenzhen Xinnengji	Utility model	ZL201820186122.8	2 February 2018 – 1 February 2028
A waste heat recycling and bag-type dust filtering system* (一種餘熱回收及布袋除塵系統)	Guangzhou Weigang	Utility model	ZL201520805777.5	15 October 2015 – 14 October 2025
Burn burning furnace blevile of push* (焚燒爐推料裝置)	Guangzhou Weigang	Invention	ZL201610053071.7	25 January 2016 – 24 January 2036
An incinerator propeller with supporting function* (具有支撐功能的焚燒爐 推料機構)	Guangzhou Weigang	Utility model	ZL201620077229.X	25 January 2016 – 24 January 2026
An incinerator propeller with directing function* (具有導向功能的焚燒爐推動機構)	Guangzhou Weigang	Utility model	ZL201620077748.6	25 January 2016 – 24 January 2026
A materials inlet in incinerator* (焚燒爐進料口翻板機構)	Guangzhou Weigang	Utility model	ZL201620077207.3	25 January 2016 – 24 January 2026
A gate device* (一種閘板裝置)	Guangzhou Weigang	Utility model	ZL201620228317.5	22 March 2016 – 21 March 2026
A claw bucket lifting device* (一種爪斗升降裝置)	Guangzhou Weigang	Utility model	ZL201620228428.6	22 March 2016 – 21 March 2026
A waste heat power generator adopted in the industrial hazardous waste disposal industry* (一種用於工業危險廢物處置行業的餘熱發電系統)	Guangzhou Weigang	Invention	ZL201610289387.6	3 May 2016 – 2 May 2036

Patent	Name of registered owner	Type	Registration number	Duration of validity
A processing system for co-disposal of hazardous waste in cement kilns* (一種用於水泥窯協同處置危險廢 物的工藝系統)	Guangzhou Weigang	Utility model	ZL201620865742.5	10 August 2016 – 9 August 2026
A solid waste storage system for co-disposal of hazardous waste in cement kilns* (用於水泥窯協同處置危險廢物的固體廢物存儲喂料系統)	Guangzhou Weigang	Utility model	ZL201621031779.4	31 August 2016 – 30 August 2026
A liquid waste storage system for co-disposal of hazardous waste in cement kilns* (用於水泥窯協同處置危險廢物的廢液存儲喂料系統)	Guangzhou Weigang	Utility model	ZL201621033145.2	31 August 2016 – 30 August 2026
An incinerating and processing system for co-disposal of hazardous waste in cement kilns* (一種用於水泥窯協同處置危險廢物的焚燒處理系統)	Guangzhou Weigang	Utility model	ZL201621027244.X	31 August 2016 – 30 August 2026
An incinerating and melting system for the disposal of hazardous waste* (一種危險廢物處置的焚燒熔融工藝系統)	Guangzhou Weigang	Utility model	ZL201621078945.6	23 September 2016 – 22 September 2026
A rotary anaerobic cracking system for disposal of solid waste* (一種用於固體廢物處置的回轉式無氧裂解系統)	Guangzhou Weigang	Utility model	ZL201720141871.4	15 February 2017 – 14 February 2027
A processing system for detoxicating and resources recycling of oily sludge* (一種用於含油污泥無害化和資源化處置的工藝系統)	Guangzhou Weigang	Utility model	ZL201720938260.2	28 July 2017 – 27 July 2027

As at the Latest Practicable Date, our Group has applied for registration of the following patents, which are material to the business operation of our Group:

Patent	Name of applicant	Type	Application number	Application date
A processing system for co-disposal of hazardous waste in cement kilns* (一種用於水泥窑協同處置危險廢物的工藝系統)	Guangzhou Weigang	Invention	CN201610654239.X	10 August 2016
An incinerating and melting system for the disposal of hazardous waste* (一種危險廢物處置的焚燒熔融工藝系統)	Guangzhou Weigang	Invention	CN201610849205.6	23 September 2016
A rotary anaerobic cracking system for disposal of solid waste* (一種用於固體廢物處置的回轉式無氧裂解系統)	Guangzhou Weigang	Invention	CN201710080971.5	15 February 2017
A processing system for detoxicating and resources recycling of oily sludge* (一種用於含油污泥無害化和資源化處置的工藝系統)	Guangzhou Weigang	Invention	CN201710632693.X	28 July 2017
Adhesive waste anaerobic thermal cracking method and system* (一種粘性垃圾無氧熱裂解方法及系統)	Shenzhen Xinnengji	Invention	CN201810107944.7	2 February 2018
A waste battery anaerobic catalytic thermal cracking system and method (一種廢舊電池無氧催化熱裂系統和方法)	Guangzhou Weigang	Invention	CN201711047905.4	31 October 2017
A household waste fluidised bed anaerobic cracking device (一種生活垃圾流化床無氧裂解裝置)	Guangzhou Weigang	Invention	CN201410606782.3	3 November 2014
A solid waste anaerobic catalytic thermal cracking method (一種固體垃圾無氧催化熱裂解方法)	Guangzhou Weigang	Invention	CN201610050316.0	26 January 2016

Patent	Name of applicant	Type	Application number	Application date
An anti-blocking centre feeder (一種防堵式中心給料機)	Guangzhou Weigang	Invention	CN201811167717.x	8 October 2018
An anti-blocking centre feeder (一種防堵式中心給料機)	Guangzhou Weigang	Utility model	CN201821631499.6	8 October 2018
An anaerobic pyrolysis treatment recovery system for positive electrode of waste lithium battery (一種廢舊鋰電池正極片的無氧熱解處理回收系統)	Guangzhou Weigang	Invention	CN201811213332.2	18 October 2018
An anaerobic pyrolysis treatment recovery system for positive electrode of waste lithium battery (一種廢舊鋰電池正極片的無氧熱解處理回收系統)	Guangzhou Weigang	Utility model	CN201821689426.2	18 October 2018
A rotary cylinder device sealing device (一種回轉圓筒體設備密封裝置)	Guangzhou Weigang	Invention	CN201811358409.5	15 November 2018
A rotary cylinder device sealing device (一種回轉圓筒體設備密封裝置)	Guangzhou Weigang	Utility model	CN201821880043.3	15 November 2018
A drying device for pretreatment of petroleum sludge (一種石油污泥預處理用乾化裝置)	Xinjiang Wosen	Utility model	CN201820654003.0	4 May 2018
A crushing device for industrial solid waste (一種工業固體廢棄物粉碎裝置)	Xinjiang Wosen	Utility model	CN201820654127.9	4 May 2018
A deodorising device for industrial sewage (一種工業污水除臭裝置)	Xinjiang Wosen	Utility model	CN201820654045.4	4 May 2018
A processing device for industrial sewage (一種工業污水處理裝置)	Xinjiang Wosen	Utility model	CN201820654213.X	4 May 2018
A filter device for industrial sewage (一種工業污水過濾裝置)	Xinjiang Wosen	Utility model	CN201820654128.3	4 May 2018
A purification device for industrial sewage (一種工業污水淨化裝置)	Xinjiang Wosen	Utility model	CN201820654028.0	4 May 2018

Patent	Name of applicant	Type	Application number	Application date
A systematic device for oily sludge feeding (一種含油污泥進料系統裝置)	Xinjiang Wosen	Utility model	CN201820654016.8	4 May 2018
A fast detection device for oily sludge (一種含油污泥快速檢測裝置)	Xinjiang Wosen	Utility model	CN201820654042.0	4 May 2018
A dust removal device for oily flue gas (一種含油煙氣除塵裝置)	Xinjiang Wosen	Utility model	CN201820654221.4	4 May 2018
A systematic device for pressure detection and response of oily flue gas (一種含油煙氣壓力檢測反饋系統裝置)	Xinjiang Wosen	Utility model	CN201820654222.9	4 May 2018

(c) Domain Names

As at the Latest Practicable Date, we have registered the following domain names, which are material to the business operation of our Group:

Domain name	Registered holder	Registration date	Expiry date
gzweigang.com	Guangzhou Weigang	26 October 2015	26 October 2023
synergy65.com	Shenzhen Xinnengji	31 July 2017	11 January 2022

(d) Copyrights

As at the Latest Practicable Date, our Company owned the following registered software copyrights in the PRC, which are material to the business operation of our Group:

Name of software	Copyright holder	Registration number	Date of registration
Hazardous waste incineration smoke emission monitoring system V1.0 (危險廢物焚燒煙氣排放監測系統V1.0)	Guangzhou Weigang	2015SR231949	25 November 2015
Hazardous waste stabilisation and solidification station control system V1.0 (危險廢物穩固化站控制系統V1.0)	Guangzhou Weigang	2015SR229712	23 November 2015
Central control room centralised monitoring system for hazardous waste incineration V1.0 (危險廢物焚燒中央控制室集中監控系統V1.0)	Guangzhou Weigang	2015SR229254	23 November 2015

C. FURTHER INFORMATION ABOUT SHAREHOLDERS, DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of Interests of Directors

(a) Mr. Cai is interested in the Reorganisation as set out in the paragraph headed "A. Further Information about our Company – 4. Corporate reorganisation" in this Appendix.

(b) Immediately following the completion of the [**REDACTED**] (but excluding all Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme), the following Directors and chief executive of our Company will have the following interests and short positions in the shares or underlying shares in, or debentures of, our Company or any associated corporation (within the meaning of Part XV of the SFO) which:

(i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which a Director or chief executive is taken or deemed to have under such provisions of SFO) once the Shares are [**REDACTED**]; or

(ii) will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, once the Shares are [**REDACTED**]; or

(iii) will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules once our Shares are [**REDACTED**]:–

(a) Long position in our Shares

Name	Nature of interest	Number of Share(s) *(Note 1)*	Approximate percentage of shareholding in our Company
Mr. Cai	Interest of controlled corporation *(Note 2)*	[**REDACTED**] (L)	[**REDACTED**]%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) The Shares are registered in the name of WeiGang Technology, which is wholly owned by Weigang Green. Weigang Green is in turn wholly owned by Mr. Cai. Accordingly, Mr. Cai is deemed to be interested in all the Shares held by WeiGang Technology under the SFO.

(b) Long position in underlying Shares of our Company

Name	Nature of Interest	Number of underlying Share(s) *(Note 1)*	Approximate percentage of shareholding in our Company
Mr. Cai	Interest of spouse *(Note 2)*	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Deng Zhaoshan	Beneficial interest *(Note 3)*	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Dong Honghui	Beneficial interest *(Note 3)*	[**REDACTED**] (L)	[**REDACTED**]%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) This represents the underlying Shares in respect of the options conditionally granted to Ms. Huang under the [**REDACTED**] Share Option Scheme. Mr. Cai is the spouse of Ms. Huang. By virtue of the SFO, Mr. Cai is deemed to be interested in all the underlying Shares in which Ms. Huang is interested.

(3) These represents the underlying Shares in respect of the options conditionally granted to the relevant Directors under the [**REDACTED**] Share Option Scheme.

(c) Long position in shares of the associated corporations of our Company

Name	Name of associated corporation	Number of share(s) interested *(Note 1)*	Approximate percentage shareholding
Mr. Cai	Weigang Green (*Note 2*)	1 (L)	100%
Mr. Cai	WeiGang Technology (*Note 2*)	1 (L)	100%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Weigang Green, a company wholly owned by Mr. Cai, is the ultimate holding company of our Company and thus an associated corporation of our Company under the SFO. WeiGang Technology is a wholly owned subsidiary of Weigang Green. Under the SFO, Mr. Cai will be deemed to be interested in the shares of WeiGang Technology held by Weigang Green, of which Mr. Cai is entitled to exercise more than 30% of the voting power at the general meeting.

2. Disclosure of Interest of Substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following the completion of the [**REDACTED**] (excluding any Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme), the following persons (other than a Director or chief executive of our Company):

(a) will have an interest or short position in the Shares or underlying Shares of our Company which:

(i) would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or

(ii) are required to be recorded in the registered required to be kept under section 336 of the SFO;

(b) are directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:–

Interests in our Shares

Name	Nature of interest	Number of Share(s)	Approximate percentage shareholding in our Company
WeiGang Technology	Beneficial owner	[**REDACTED**] (L)	[**REDACTED**]%
Weigang Green	Interest in controlled corporation *(Note 1)*	[**REDACTED**] (L)	[**REDACTED**]%
Ms. Huang	Interest of spouse *(Note 2)*	[**REDACTED**] (L)	[**REDACTED**]%
Jade Fly	Beneficial owner	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Ren	Interest in controlled corporation *(Note 3)*	[**REDACTED**] (L)	[**REDACTED**]%
Ms. Lin Ying	Interest of spouse *(Note 4)*	[**REDACTED**] (L)	[**REDACTED**]%

Notes:

(1) WeiGang Technology is wholly owned by Weigang Green which is in turn wholly owned by Mr. Cai. Mr. Cai and Weigang Green are deemed to be interested in all the Shares held by WeiGang Technology under the SFO.

(2) Ms. Huang is the spouse of Mr. Cai. By virtue of the SFO, Ms. Huang is deemed to be interested in all the Shares in which Mr. Cai is interested.

(3) Jade Fly is wholly owned by Mr. Ren. Mr. Ren is deemed to be interested in all the Shares held by Jade Fly under the SFO.

(4) Ms. Lin Ying is the spouse of Mr. Ren. By virtue of the SFO, Ms. Lin Ying is deemed to be interested in all the Shares in which Mr. Ren is interested.

Minority interests in our subsidiaries

So far as known to our Directors as at the Latest Practicable Date, the following persons (excluding our Company) are directly and indirectly interested in 10% or more of the issued voting shares of any member of our Group:

Name of subsidiary	**Name of minority shareholder**	**Nature of interest**	**Approximate percentage of minority interests in the subsidiary concerned**
Guangzhou Lvhuan	Guangdong Xingyue *(Note 1)*	Beneficial owner	49.00%
Weierneng Environmental	Shandong Kangrong *(Note 2)*	Beneficial owner	49.00%
Chaozhou Xinnengji	Mr. Guo Xudong	Beneficial owner	10.00%

Notes:

(1) Guangdong Xingyue was owned as to 40% by Mr. Chen Yonghe, 40% by Mr. Hou Wenqing and 20% by Mr. Zhao Qianxiang as at the Latest Practicable Date.

(2) Shandong Kangrong was jointly owned by Teng Huaiyan and Teng Zhaoyue as at the Latest Practicable Date.

3. Particulars of Service Contracts

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years or until the third annual general meeting of our Company since the [**REDACTED**] (whichever is sooner), subject to the Articles and the Listing Rules. Either party has the right to give not less than three months' written notice to terminate the agreement.

The fees of the executive Directors payable by our Company for each year of service are as follows:

Executive Directors	HK$ (per annum)
Mr. Cai Zhuhua (蔡珠華)	360,000
Mr. Dong Honghui (董紅暉)	240,000
Mr. Deng Zhaoshan (鄧兆善)	240,000

(b) Non-executive Directors

Each of our non-executive Director has entered into an appointment letter with our Company pursuant to which he agreed to act as a non-executive Director for an initial term of three years or until the third annual general meeting of our Company since the [**REDACTED**] (whichever is sooner), subject to the Articles and the Listing Rules. Either party has the right to give not less than three months' written notice to terminate the appointment.

The fees of our non-executive Directors payable by our Company for each year of appointment are as follows:

Non-executive Directors	HK$ (per annum)
Mr. Ren Jingfeng (任景豐)	240,000
Mr. Yang Zhiqiang (楊志強)	240,000

(c) Independent non-executive Directors

Each of our independent non-executive Directors [has] entered into an appointment letter with our Company pursuant to which they agreed to act as independent non-executive Directors for an initial term of three years or until the third annual general meeting of our Company since the [**REDACTED**] (whichever is sooner), subject to the Articles and the Listing Rules. Either party has the right to give not less than three months' written notice to terminate the appointment.

The fees of the independent non-executive Directors payable by our Company for each year of service are as follows:

Independent non-executive Directors	HK$ (per annum)
Mr. Jiang Guoliang (蔣國良)	240,000
Mr. Yang Zhifeng (楊志峰)	240,000
Mr. Feng Tao (馮濤)	240,000

Details of our Company's remuneration policy are described in the subsection headed "Directors and Senior Management – Remuneration of Our Directors and Senior Management".

None of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

4. Directors' Remuneration

It is estimated that under the arrangements in force at the date of the document, the aggregate remuneration payable to, and benefits in kind receivable by (excluding any discretionary bonuses), our Directors or proposed Directors by any member of our Group for the year ending 31 December 2018 will be approximately RMB1.2 million.

The aggregate remuneration paid and benefits in kind granted to our Directors by any member of our Group in respect of the year ended 31 December 2017 and the six months ended 30 June 2018 were approximately RMB1.03 million and RMB584,000, respectively.

5. Related Party Transactions

The related party transactions entered into by the members of our Group within the two years immediately preceding the date of this document are mentioned in Note 39 of the accountants' report, the text of which is set out in Appendix I to this document.

6. Disclaimers

Save as disclosed in the section headed "Substantial Shareholders" of this document and the paragraph headed "– C. Further Information About Shareholders, Directors, Management and Staff" in this appendix:

(a) immediately following the completion of the [**REDACTED**] (excluding all Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme), so far as is known to any Director or chief executive of our Company as at the Latest Practicable Date, no person (other a Director of chief executive of our Company):

(i) will have an interest or short position in the Shares or underlying Shares of our Company which:

(A) would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or

(B) are required to be recorded in the register required to be kept under section 336 of the SFO;

(ii) is directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group;

(b) immediately following the completion of the [**REDACTED**] (excluding all Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme), none of our Directors or chief executive of our Company will have interests and short positions in the shares and underlying shares in and debentures of our Company or any associated corporation which:

(i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which a Director or chief executive of our Company is taken or deemed to have under such provisions of the SFO) once the Shares are [**REDACTED**]; or

(ii) will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, once the Shares are [**REDACTED**]; or

(iii) will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are [**REDACTED**];

(c) none of our Directors or proposed Directors (if any) (whether personally or through a firm of which he is a partner) or expert as referred to in the paragraph headed "– E. Other Information – 7. Qualifications of experts" in this appendix is interested in the promotion of our Company, or in any assets which have been, within the two

years immediately preceding the issue of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) no Director is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole; and

(e) save in connection with the [**REDACTED**], none of the experts named in the subsection headed "E. Other Information – 7. Qualifications of Experts" in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

D. [REDACTED] SHARE OPTION SCHEME

1. Introduction

In recognition of the contributions made by the employees of our Group towards its growth and success, on 10 December 2018, a total of 35 eligible participants were offered options to subscribe for an aggregate of [**REDACTED**] Shares, representing approximately [**REDACTED**] of the issued Shares immediately following the [**REDACTED**] (excluding all Shares which may be issued upon the exercise of the [**REDACTED**] and the options granted under the [**REDACTED**] Share Option Scheme). The principal terms of the [**REDACTED**] Share Option Scheme were approved by resolutions in writing of all our Shareholders passed on 10 December 2018.

According to the [**REDACTED**] Share Option Scheme, all options granted under the scheme will take effect upon the [**REDACTED**].

Application has been made to the [**REDACTED**] for the [**REDACTED**] of and permission to [**REDACTED**] the Shares to be issued pursuant to the exercise of options granted under the [**REDACTED**] Share Option Scheme.

2. Summary of the major terms of the [REDACTED] Share Option Scheme

(a) Purpose

The purpose of the [**REDACTED**] Share Option Scheme is to enable our Company to grant options to eligible participants (the "**Eligible Participants**") as incentives or rewards for their contribution to the growth of our Group and to provide our Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

(b) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price set out in paragraph (e) below to any Eligible Participant which means any employee (whether full time or part time, including any executive director but excluding any non-executive director and independent non-executive director) of our Company, or any of our subsidiaries.

(c) Number of Shares

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the [**REDACTED**] Share Option Scheme and any other share option schemes of our Group must not exceed 30% of the issued share capital of our Company from time to time. No Options may be granted under the [**REDACTED**] Share Option Scheme if this will result in such limit being exceeded. Subject to the above, the total number of Shares which may be issued upon exercise of all options to be granted under the [**REDACTED**] Share Option Scheme and any other share option schemes of our Group must not, in aggregate, exceed [**REDACTED**]% of the issued share capital of our Company as at the [**REDACTED**], being [**REDACTED**] Shares (the "**Scheme Mandate Limit**"). Any options lapsed in accordance with the terms of the [**REDACTED**] Share Option Scheme or any other share option scheme of our Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The number of Shares issuable upon exercise of options granted shall be adjusted in the event of any alteration in the capital structure of our Company in accordance with paragraph (k) below. Except for the options which have been granted under the [**REDACTED**] Share Option Scheme, no further options have been or agreed to be granted under the [**REDACTED**] Share Option Scheme, as the maximum number of options under the [**REDACTED**] Share Option Scheme has been fully granted.

(d) Grant of options

All options may only be granted during the period from the date of adoption to the Business Day immediately preceding the date on which our Company commences the bulk-printing of this document for the purpose of [**REDACTED**] (the "**Relevant Period**"), after which period no further options may be offered or granted but the provisions of the [**REDACTED**] Share Option Scheme shall remain in full force and effect to the extent to give effect to and govern each outstanding option granted during the Relevant Period.

Our Board shall be entitled, but shall not be bound at any time and from time to time, during the Relevant Period to make an offer to any Eligible Participant as our Board may at its absolute discretion select to take up options. Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as our Board may determine in its absolute discretion, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the [**REDACTED**] Share Option Scheme.

An offer of the options shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect with retrospective effect from the date of the offer (the "**Offer Date**") once the duplicate letter comprising acceptance of the offer, duly signed by the grantee together with a remittance/payment in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company within the acceptance period. Such remittance/payment shall in no circumstances be refundable or be deemed to be a part payment of the exercise price.

(e) Price of Shares

The exercise price per Share in respect of any particular option granted under the [**REDACTED**] Share Option Scheme shall be HK$[**REDACTED**], subject to adjustment mentioned in paragraph (k) below.

(f) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(g) Time of exercise of option, vesting conditions and duration of the* [REDACTED] *Share Option Scheme

Subject to the following vesting dates and conditions, any options granted under the [**REDACTED**] Share Option Scheme may be exercisable at any time during such period as notified by our Board to each grantee in the offer letter, provided that the expiry date of such period shall not exceed ten (10) years from the Offer Date (the "**Option Period**"):

Batch no.	Vesting date	Percentage of options vested	Vesting conditions (applicable to all batches)
1.	The second anniversary of the [**REDACTED**]	30% of the total number of options granted	(a) Revenue and profit of our Company for the financial year ended immediately preceding the relevant vesting date designated for the batch (the "**Relevant Financial Year**") shall not be less than the targets to be specified by our Board;
2.	The third anniversary of the [**REDACTED**]	30% of the total number of options granted	(b) The grantee shall have, during the Relevant Financial Year, complied with all codes of conduct, rules and regulations applicable to the grantee as may be issued by our Group; and

Batch no.	Vesting date	Percentage of options vested	Vesting conditions (applicable to all batches)
3.	The fourth anniversary of the [**REDACTED**]	40% of the total number of options granted	(c) The grantee shall have fulfilled all targets for the Relevant Financial Year applicable to the grantee to be specified by our Group whether financial, operational, technological or otherwise.

Subject to terms and conditions upon which such option was granted, an option may be exercised by a grantee at any time during the Option Period provided that:-

(aa) in the event that the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment, directorship, appointment or engagement on one or more of the grounds specified in paragraph (j)(dd) or his resignation as provided in paragraph (j)(ee), the grantee may exercise the option in accordance with the provisions of the [**REDACTED**] Share Option Scheme up to his entitlement at the date of cessation (to the extent which has become exercisable but not already exercised unless otherwise determined by our Board) within the period of two (2) years following the date of such cessation (or such longer period as our Board may determine or, if any of the events referred to paragraph (g)(dd) to (ff) occurs during such period, he may exercise the option pursuant to paragraph (g)(dd) to (ff) within such period);

(bb) in the event that the grantee (being an individual) ceases to be an Eligible Participant by reason of death and none of the events which would be a ground for termination of his employment, directorship, appointment or engagement under paragraph (j)(dd) arises, the personal representative(s) of the grantee shall be entitled within a period of twelve (12) months after the date of death (or such longer period as our Board may determine or, if any of the events referred to in paragraph (g)(dd) to (ff) occurs during such period, his personal representative(s) may exercise the option pursuant to paragraph (g)(dd) to (ff) within such period) to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable but not already exercised);

(cc) if a grantee (being a corporation):-

(i) commences winding up by whatever means, whether voluntarily or not; or

(ii) suffers a change in its constitution, management, directors, shareholding or beneficial ownership which in the opinion of our Board is material,

the option (to the extent not already exercised) shall lapse on the date of the commencement of winding up of the grantee or on the date of notification by our Company that the said change in constitution, management, directors, shareholding or beneficial ownership is material, as the case may be, and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence;

(dd) if a general (or partial) offer (whether by takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), the terms of which have been approved by any relevant regulatory authority and are in accordance with applicable laws and regulatory requirements and becomes, or is declared unconditional prior to the expiry of the option, our Company shall within seven (7) days of such offer becoming or being declared unconditional give notice thereof to all grantees, whereupon the grantees (or their personal representatives) shall be entitled to exercise the options in full or in part in accordance the [**REDACTED**] Share Option Scheme (to the extent which have become exercisable but not already exercised) at any time within fourteen (14) days after the date of such notice and, to the extent any of the options have not been so exercised, such options shall upon the expiry of such period lapse;

(ee) in the event that a notice is given by our Company to its Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as it despatches such notice of the proposed general meeting to each shareholder of our Company give notice thereof to all grantees (or their personal representatives), who may, by notice in writing to our Company (such notice to be received by our Company not later than five (5) Business Days prior to the proposed general meeting) accompanied by remittances/payments for the full amount of the aggregate subscription price for our Shares in respect of which the notices are given, exercise the options (to the extent which have become exercisable but not already exercised) either to their full extent or to the extent specified in such notices and our Company shall, as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting, allot and issue such number of Shares to such grantees which fall to be issued on such exercise, credited as fully paid up and register such grantees as holders thereof. Any options shall, to the extent they have not been so exercised, lapse and determine; and

(ff) if, pursuant to the Companies Law or other applicable law, a compromise or scheme of arrangement between our Company and our members and/or creditors is proposed for the purpose of or in connection with the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as it gives notice to the members or creditors of our Company summoning a meeting to consider such compromise or scheme of arrangement. Upon receipt of the notice, the grantees may exercise their options within period specified therein (to the extent which have become exercisable but not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. Our Company may require the grantees to transfer or otherwise deal with our Shares issued as a result of the exercise of options in these circumstances so as to place the grantees in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement.

(h) Ranking of Shares

The Shares to be issued and allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment, provided always that when the date of exercise of an option falls on a date upon which the register of members of our Company is closed, then the exercise of such option shall become effective on the first Business Day on which the register of members of our Company is re-opened.

(i) ***Effect of alterations to capital***

In the event of any capitalisation of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction of the share capital of our Company in accordance with legal requirements and the requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction in which our Company and/or any of its subsidiaries is a party), such corresponding adjustments (if any) shall be made to:-

(aa) the number or nominal amount of Shares subject to the options so far as unexercised; and/or

(bb) the exercise price of the option granted;

or any combination thereof, other than any adjustment made on a capitalisation issue, as the auditors or an independent financial adviser appointed by our Company for such purpose shall certify in writing to our Board to be in their opinion fair and reasonable, provided always that:-

(i) no such adjustments shall be made the effect of which would be to enable any Share to be issued at less than its nominal value;

(ii) such adjustments shall be made on the basis that the grantees shall have the same proportion of the issued share capital of our Company to which the grantees were entitled before such adjustments,

and in each case, any adjustment must be made in compliance with the Listing Rules (including, without limitation, Chapter 17 thereof), the supplemental guidance issued on 5 September 2005 and any further guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(j) Expiry of option

The right to exercise an option shall lapse automatically and become not exercisable (to the extent not already exercised) immediately upon the earliest of:-

(aa) the expiry of the Option Period;

(bb) the expiry of any of the periods referred to in paragraphs (g)(aa) to (ff);

(cc) subject to paragraph (g)(ee), the date of the commencement of the winding-up of our Company;

(dd) the date on which the relevant grantee ceases to be an Eligible Participant by reason of the termination of the employment, directorship, appointment or engagement of such grantee on any one or more of the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangement or composition with his creditors generally, or has breached or failed to comply with any provisions of the relevant service contract, letter of appointment or other contracts or agreements of the grantee with our Company or the relevant subsidiary for the employment, appointment or engagement, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the service contract, letter of appointment or other contract or agreement for the employment, appointment or engagement of the grantee with our Company or the relevant subsidiary;

(ee) the date on which the resignation of the relevant grantee is received by our Company or the relevant subsidiary (as the case may be); or

(ff) the date on which the relevant grantee commits a breach of requirements under paragraph (f) of this section in respect of assignment of share options.

(k) Alteration of the* [REDACTED] *Share Option Scheme

Subject to the Listing Rules, all provisions of the [**REDACTED**] Share Option Scheme may be altered from time to time in any respect by a resolution of our Board save that the following alterations shall require the prior sanction of an ordinary resolution by the Shareholders of our Company in a general meeting (with all grantees, prospective grantees and their associates abstaining from voting and the votes taken by poll):-

(aa) any alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee(s) or the Eligible Participant(s) (as the case may be);

(bb) any alterations of the terms and conditions of the [**REDACTED**] Share Option Scheme which are of a material nature or any change to the terms of options granted (except where the alterations take effect automatically under the existing terms of the [**REDACTED**] Share Option Scheme); and

(cc) any change to the authority of our Board in relation to any alteration to the terms of the [**REDACTED**] Share Option Scheme,

provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the shareholders of our Company under the articles of association of our Company for the time being for a variation of the rights attached to our Shares. Any amended terms of the [**REDACTED**] Share Option Scheme or options shall still comply with the relevant requirements of Chapter 17 of the Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time).

(l) Cancellation of Options

Any cancellation of options granted but not exercised shall be approved by our Board.

(m) Termination of the* [REDACTED] *Share Option Scheme

Our Company may by ordinary resolution in general meeting or our Board may at any time terminate the operation of the [**REDACTED**] Share Option Scheme and in such event no further options shall be offered but the provisions of the [**REDACTED**] Share Option Scheme shall remain in full force and effect in all other respects in respect of any options granted prior thereto but not yet exercised at the time of termination. Upon such termination, details of the options granted, including options exercised or outstanding and options that become void or non-exercisable as a result of such termination, shall be disclosed in the circular to the shareholders of our Company seeking approval of the first new share option scheme established after such termination.

(n) Administration of our Board

The [**REDACTED**] Share Option Scheme shall be subject to the administration of our Board whose decision shall be final and binding on all persons who may be affected thereby. Our Board shall, subject to the Listing Rules, have the right (a) to interpret and construe the provisions of the [**REDACTED**] Share Option Scheme, (b) to determine the persons who will be granted options under the [**REDACTED**] Share Option Scheme, the number of Shares granted thereto and the exercise price, and (c) to make such other decisions or determinations as it shall deem appropriate in the administration of the [**REDACTED**] Share Option Scheme in accordance with the Listing Rules.

(o) Disclosure in annual and interim reports

We will disclose details of the [**REDACTED**] Share Option Scheme in our annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

3. Outstanding Options Granted under the [REDACTED] Share Option Scheme

As at the date of this document, options to subscribe for an aggregate of [**REDACTED**] Shares at an exercise price of HK$[**REDACTED**] had been conditionally granted by us under the [**REDACTED**] Share Option Scheme. A total of 35 Eligible Participants have been granted options under the [**REDACTED**] Share Option Scheme. A full list of such grantees under the [**REDACTED**] Share Option Scheme, containing all particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules is set forth below:

Grantee	Address	Number of Shares to be issued upon full exercise of the options granted under the [REDACTED] Share Option Scheme	Approximate percentage of shareholding upon the exercise of the options after the [REDACTED] *(Note)*
Directors of our Company and our subsidiaries			
Deng Zhaoshan (鄧兆善)	Room 975, No. 2 Cuishi Road, Yuncheng Subdistrict, Yuncheng District, Yunfu, Guangdong Province, China	[**REDACTED**]	[**REDACTED**]%
Dong Honghui (董紅暉)	Room 302, No. 16 Shayuan Sixth Street North, Haizhu District, Guangzhou, Guangdong Province, China	[**REDACTED**]	[**REDACTED**]%
Cui Jinhong (崔錦鴻)	Room 503, Unit 1, Building No. 2, No. 50 South Village Hongbao Road, Luohu District, Shenzhen, Guangdong province, PRC	[**REDACTED**]	[**REDACTED**]%
Li Yuanjing (黎原菁)	16C Building No.25, Jin Di Hai Jing Garden, Furong Road, Futian District, Shenzhen, PRC	[**REDACTED**]	[**REDACTED**]%
Huang Ying (黃瑛)	No. 9, Avenue 4 Baiyun Bao, Guangzhou, Guangdong province, PRC	[**REDACTED**]	[**REDACTED**]%
Senior management and other employees of our Group			
Li Zhouxin (李周欣)	Room 102, No. 91, Jinhu Erli, Huli District, Xiamen, Fujian province, PRC	[**REDACTED**]	[**REDACTED**]%
Guo Cuiping (郭翠平)	Room 605, No. 17, Shijibei 1st Street, Huangpu District, Guangzhou, Guangdong province, PRC	[**REDACTED**]	[**REDACTED**]%
Li Hai (李海)	Room 505, No. 10 Caizong Street, Haizhu District, Guangzhou, Guangdong province, PRC	[**REDACTED**]	[**REDACTED**]%

Grantee	Address	Number of Shares to be issued upon full exercise of the options granted under the [REDACTED] Share Option Scheme	Approximate percentage of shareholding upon the exercise of the options after the [REDACTED] *(Note)*
Ning Zeming (寧澤明)	Room 2C704, No. 10 Jianmin Road, Yangchun County, Yangjiang, Guangdong province, PRC	[**REDACTED**]	[**REDACTED**]%
Luo Xiaoji (羅曉記)	Room C201, No.21 Guanguang Road South, Jiangcheng District, Yangjiang, Guangdong province, PRC	[**REDACTED**]	[**REDACTED**]%
Gu Chunbin (辜淳彬)	Room 2009, Tower A, Harbourfront Horizon, 8 Hung Luen Road, Hung Hom, Kowloon, Hong Kong	[**REDACTED**]	[**REDACTED**]%
Xie Guohui (謝國輝)	T4-1401, No. 299, Xinjiao Road West, Haizhu District, Guangzhou, Guangdong province, PRC	[**REDACTED**]	[**REDACTED**]%
Chen Jiangcheng (陳江城)	No.2 Lane, No.7 Cheng Xun Road, Yunfu, Guangdong, PRC	[**REDACTED**]	[**REDACTED**]%
Wang Zhicheng	Room 911, Building G1, Da Zhuang International Apartments, 2 Yueyang No.1 Street, Huangpu District, Guangzhou, PRC	[**REDACTED**]	[**REDACTED**]%
Zhu Xinwei	1909, Building No.2, Ling Shi Hua Fu, 298 Li Yu Shan North Road, New City District, Urumqi, Xinjiang, PRC	[**REDACTED**]	[**REDACTED**]%
Yang Biqing (楊必清)	1-702, Building No.7, 38 Tai He Road, Hecheng Street, Gaoming District, Foshan, Guandong, PRC	[**REDACTED**]	[**REDACTED**]%
Liu Guiquan (劉桂泉)	G601, 72 Da Gang Lane II, Chebei North Street, Tianhe District, Guangzhou, PRC	[**REDACTED**]	[**REDACTED**]%
Wu Fujiang (吳福紅)	Room 601, Building No.5, 22 Xiang Yang Road, Cheng Jiao Street, Conghua City, Guangdong, PRC	[**REDACTED**]	[**REDACTED**]%
Wu Lei (吳磊)	14 Su Jia Li, Cen Cun South Street, Tianhe District, Guangzhou, PRC	[**REDACTED**]	[**REDACTED**]%
Yu Xiaoxin (余小新)	6-612, Building No.24, Fuhao Huacheng Community, Saihu Street, Ruichang, Jiangxi, PRC	[**REDACTED**]	[**REDACTED**]%

Grantee	Address	Number of Shares to be issued upon full exercise of the options granted under the [REDACTED] Share Option Scheme	Approximate percentage of shareholding upon the exercise of the options after the [REDACTED] *(Note)*
Li Rushen (黎汝深)	9A Block 2, Villa Oceania, 8 On Chun St., Ma On Shan, NT, Hong Kong	[1,040,001]	0.078%
Lei Ming (雷鳴)	Room 703, Building C, Yong Yu Garden, Huadu District, Guangzhou, PRC	[1,040,001]	0.078%
Lin Xiang (林祥)	No.13 Che Bei Tian Tai Street, Dong Pu Town, Tianhe District, Guangzhou, PRC	[773,334]	0.058%
Liu Haihe (劉海賀)	A19-1504, He Ji Town, Huangpu District, Guangzhou, PRC	[773,334]	0.058%
Liang Xinwei (梁新威)	A15-1102, Shang Dong Shang Zhu, 310 Cheng Qu Da Dao, Panyu District, Guangzhou, PRC	[773,334]	0.058%
Zeng Xiaoxin (曾小新)	Room 505, Building No.12, Shui Xi Street, Xiangang Village, Science City, Luogang District, Guangzhou, PRC	[773,334]	0.058%
He Yanfeng (何燕鋒)	Building No.4, 300 Yao Kou Village, Fang Cun Road West, Liwan District, Guangzhou, PRC	[773,334]	0.058%
Yan Dongqiang (嚴冬強)	Room 804, 29 Deng Gang, Industrial Lane, Haizhu District, Guangzhou, PRC	[773,334]	0.058%
Lai Xirui (賴喜銳)	4-401, Building No.5, Yunshan Ju, Congyun Road, Baiyun District, Guangzhou, PRC	[773,334]	0.058%
Chen Zongda (陳宗達)	Building No.701, 2 Feng Er Street, Feng Le North Road, Huangpu District, Guangzhou, PRC	[773,334]	0.058%
Wang Jinghua (王京華)	Room 902, 17 Yi Shun Street, Haizhu District, Guangzhou, PRC	[773,334]	0.058%
Ye Junkang (葉俊康)	Room 1906, Leung Chi House, Leung King Estate, Tuen Mun, N.T. Hong Kong	[773,334]	0.058%
Qiu Xinfa (丘新發)	Room 504, Talent Exchange Centre, People's North Road, Lechang City, Guangdong, PRC	[773,334]	0.058%

Grantee	Address	Number of Shares to be issued upon full exercise of the options granted under the [REDACTED] Share Option Scheme	Approximate percentage of shareholding upon the exercise of the options after the [REDACTED] *(Note)*
Jian Haifeng (簡海峰)	Room 601, 6 South Second Street, Li Hong Road, Luogang District, Guangzhou, PRC	[**REDACTED**]	[**REDACTED**]%
Wu Weihui (吳衛輝)	Building No.2, Mu Yuan Community, Labour South Road, Yiyang Town, Changning City, Hunan, PRC	[**REDACTED**]	[**REDACTED**]%
Total		[**REDACTED**]	[**REDACTED**]%

Note: The percentages of shareholding represent the percentages immediately upon completion of the [**REDACTED**] (without taking into account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any options which were granted under the [**REDACTED**] Share Option Scheme) but before the exercise of any options granted under the [**REDACTED**] Share Option Scheme.

Except as set out above, no other options have been granted or agreed to be granted by us under the [**REDACTED**] Share Option Scheme.

Our shareholding structure before and after the full exercise of all the options granted under the [**REDACTED**] Share Option Scheme will be as follows:

Shareholders	**Shareholding structure immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised) but before the exercise of the options granted under the [REDACTED] Share Option Scheme**		**Shareholding structure immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and full exercise of the options granted under the [REDACTED] Share Option Scheme**	
	Shares	*Percentage (approx.)*	*Shares*	*Percentage (approx.)*
WeiGang Technology *(Note 1)*	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%
Weigang Green *(Note 1)*	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%
Mr. Cai *(Note 1)*	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%
Ms. Huang *(Note 2)*	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%
Jade Fly	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%
Mr. Ren	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%
Ms. Lin Ying	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%
Grantees under the [**REDACTED**] Share Option Scheme as connected persons *(Note 3)*	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Grantees under the [**REDACTED**] Share Option Scheme as non-connected persons *(Note 4)*	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Other public Shareholders	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	[**REDACTED**]%	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) WeiGang Technology is wholly owned by Weigang Green which is in turn wholly owned by Mr. Cai. Mr. Cai and Weigang Green are deemed to be interested in all the Shares held by WeiGang Technology under the SFO. In light of the spousal relationship between Mr. Cai and Ms. Huang Ying, each of them is deemed to be interested in all the Shares in which the other is interested.

(2) Jade Fly is wholly owned by Mr. Ren. Mr. Ren is deemed to be interested in all the Shares held by Jade Fly under the SFO. In light of the spousal relationship between Mr. Ren and his wife, Ms. Lin Ying, each of them is deemed to be interested in all the Shares in which the other is interested.

(3) This includes Mr. Deng Zhaoshan, Mr. Dong Honghui, Mr. Cui Jinghong and Mr. Li Yuanjing and excludes Ms. Huang Ying.

(4) This excludes all connected grantees, including Mr. Deng Zhaoshan, Mr. Dong Honghui, Mr. Cui Jinghong, Mr. Li Yuanjing and Ms. Huang Ying.

We will not permit the exercise of any [**REDACTED**] Share Option Scheme by any of our connected persons if, upon such exercise, we would not be able to attain the minimum public float requirement of the Stock Exchange.

(d) Effect on the Earnings per Share as a Result of the [REDACTED] Share Options

Exercise of any of the options granted under the [**REDACTED**] Share Option Scheme will have a dilution effect on the shareholdings of our Company at the time of such exercise as well as on the earnings/loss per Share for the relevant financial year.

Assuming that all the options granted under the [**REDACTED**] Share Option Scheme are exercised in full, this would have a dilutive effect on the shareholding and earnings per Share of our Shareholders of approximately [**REDACTED**]%.

Grantees of the options granted under the [**REDACTED**] Share Option Scheme who are connected persons of our Company will not be entitled to exercise those options if, as a result of such action, our Company will not be able to comply with the public float requirements of the Listing Rules.

E. OTHER INFORMATION

1. Estate Duty, Tax and Other Indemnity

Our Directors have been advised that no material liability for estate duty in Hong Kong is likely to fall on our Company or any of its subsidiaries.

The Controlling Shareholders have under the terms of the Deed of Indemnity (being the contract referred to in the paragraph headed "B. Further information about the business – 1. Summary of material contracts"), given an indemnity to our Group in respect of taxation falling on our Company or on any of its subsidiaries arising as a consequence of any event or transaction which occurred on or before the [**REDACTED**], save in certain circumstances including where provision has been made in the audited accounts of our Company or its subsidiaries for the Track Record Period.

Under the terms of the Deed of Indemnity, the Controlling Shareholders have also given an indemnity to our Group in respect of any liabilities arising from or in connection with any non-compliance occurring on or before the [**REDACTED**] by any member of our Group with the applicable law, rules or regulations.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

3. Sponsor

The Sole Sponsor has made an application on our behalf to the [**REDACTED**] of the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], all our Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued upon the exercise of the [**REDACTED**] or options which were granted under the [**REDACTED**] Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are USD700,000 and are payable by our Company.

4. Preliminary expenses

The preliminary expenses of our Company are approximately HK$24,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoter in connection with the [**REDACTED**] or the related transactions described in this document.

6. Agency fees or commissions received

The [**REDACTED**] will receive a commission of [**REDACTED**]% of the aggregate [**REDACTED**] of the [**REDACTED**] underwritten by them, out of which they will pay any [**REDACTED**] commissions. The Sole Sponsor will receive a documentation fee and advisory fee and will be reimbursed for its expenses.

Based on a [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of the indicative range of [**REDACTED**]), the [**REDACTED**] commission, documentation fee and expenses of the Sole Sponsor, together with the initial [**REDACTED**] fees, legal and other professional fees, printing and other expenses relating to the [**REDACTED**] payable by our Company are estimated to amount to approximately HK$[**REDACTED**] in total.

7. Qualifications of Experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

Name	Qualification
BOCI Asia Limited	A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified public accountants
Han Kun Law Offices	Legal advisers to our Company as to PRC law
Walkers (Hong Kong)	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

8. Interests of Experts in our Company

None of the persons named in the paragraph headed "E. Other Information – 7. Qualifications of experts" in this appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

9. Consents of Experts

Each of the experts as referred to in the section headed "E. Further Information – 7. Qualifications of experts" in this appendix have given and have not withdrawn their respective written consents to the issue of this document with the inclusion of their letters, reports, and/or valuation certificate opinion and/or references to their names (as the case may be) in the form and context in which they respectively appear.

10. Taxation of Holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members may be subject to Hong Kong stamp duty.

In respect of sale, purchase and transfer of Shares, the current rate of stamp duty charged on each of the purchaser and seller is 0.1% of the consideration of, or if higher, of the fair value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Prospective holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, Directors or the other parties involved in the [**REDACTED**] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

11. Share Register

Subject to the provisions of the Companies Law, the principal register of members will be maintained in the Cayman Islands by [**REDACTED**] and a branch register of members of our Company will be maintained in Hong Kong by [**REDACTED**]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

12. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

13. Language of Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Compliance Adviser

Our Company has appointed Altus Capital Limited as its compliance adviser upon [**REDACTED**] in compliance with Rule 3A.19 of the Listing Rules to provide advisory services for our Company to ensure our Company's compliance with the Listing Rules for the period commencing on the [**REDACTED**] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**].

15. No Material Adverse Change

Our Directors have confirmed that there were no material adverse change in the financial or trading position of our Group since 30 June 2018, being the end of the period reported on the Accountants' Report as set out in Appendix I to this document.

16. Miscellaneous

(a) Within the two years immediately preceding the date of this document:–

(i) Save as disclosed in the sections headed "History, Reorganisation and Group Structure – Corporate History", "History, Reorganisation and Group Structure – [**REDACTED**] Investments", "History, Reorganisation and Group Structure – Reorganisation", "Structure of the [**REDACTED**]" and the paragraph headed "– A. Further Information about our Company – 2. Changes in Share Capital" and "A. Further Information about our Company – 5. Changes in Share Capital of Subsidiaries" in this appendix, no share in or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) Save as disclosed in the sections headed "History, Reorganisation and Group Structure – Corporate History", "[**REDACTED**]", "History, Reorganisation and Group Structure – Reorganisation", "Structure of the [**REDACTED**]" and the subsection headed "– E. Other Information – 6. Agency fees or commissions received" in this appendix, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share in or loan capital of our Company or any of it its subsidiaries;

(iii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months preceding the date of this document; and

(iv) no commission (but not including commission to the [**REDACTED**]) had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Share in or debentures of our Company; and

(b) Save as disclosed in the subsection headed "– D. [**REDACTED**] Share Option Scheme" in this appendix, no share in or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) There is no arrangement under which future dividends are waived or agreed to be waived by our Company.

(d) Our Company has no founders shares, management shares or deferred shares.

(e) We have no outstanding debentures or convertible debt securities.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the [**REDACTED**], [**REDACTED**] and [**REDACTED**];

(b) the written consents referred to in the paragraph headed "– E. Other Information – 9. Consent of Experts" in Appendix IV to this document; and

(c) a copy of each of the material contracts referred to in the paragraph headed "– B. Further Information about the Business – 1. Summary of Material Contracts" in Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Miao & Co. (in Association with Han Kun Law Offices) at Rooms 3901-05, 39/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the Companies Law;

(c) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;

(d) the report on the unaudited [**REDACTED**] financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;

(e) the audited consolidated financial statements of our Group for the three financial years ended 31 December 2017;

(f) the letter of advice from Walkers (Hong Kong) summarising certain aspects of the Companies Law referred to Appendix III to this document;

(g) the PRC legal opinions prepared by the PRC Legal Advisers in respect of certain aspects of our Group and property interests of our Group in China;

(h) the service contracts and the letters of appointment referred to in the paragraph headed "– C. Further Information about Shareholders, Directors, Management and Staff – 3. Particulars of Service Contracts" in Appendix IV to this document;

(i) the material contracts referred to in the paragraph headed "– B. Further Information about the Business – 1. Summary of Material Contracts" in Appendix IV to this document;

(j) the written consents referred to in the paragraph headed "– E. Other Information – 9. Consent of Experts" in Appendix IV to this document;

(k) the Frost & Sullivan Report prepared by Frost & Sullivan; and

(l) the rules of the [**REDACTED**] Share Option Scheme.