

## APPENDIX I

## ACCOUNTANT’S REPORT

*The following is the text of a report set out on pages I-1 to I-3 received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountant’s Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

### ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TIL ENVIRO LIMITED AND RED SUN CAPITAL LIMITED

#### Introduction

We report on the historical financial information of TIL Enviro Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-62, which comprises the combined statements of financial position as at 31 December 2015, 2016 and 2017 and 30 April 2018, the Company statement of financial position as at 30 April 2018, the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years/period then ended (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-62 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “**Document**”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

#### Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### Reporting accountant’s 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.

## APPENDIX I

## ACCOUNTANT’S REPORT

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 accountant’s 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 accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1 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, 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 accountant’s report, a true and fair view of the financial position of the Company as at 30 April 2018 and the combined financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 April 2018 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1 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 combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the four months ended 30 April 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 presentation and preparation set out in notes 1.3 and 2.1 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 Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1 to the Historical Financial Information.

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

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

*Dividends*

We refer to note 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**[PricewaterhouseCoopers]**

*Certified Public Accountants*

Hong Kong

[Date]

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**I 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 accountant’s report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong thousand dollars (“**HK\$’000**”) and all values are rounded to the nearest thousand except when otherwise indicated.

**Combined Income Statements**

		Year ended 31 December			Four months ended	
		2015	2016	2017	30 April	2018
	Note	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
					(Unaudited)	
Revenue	5	250,521	207,419	366,381	63,816	138,373
Cost of sales	8	<u>(137,160)</u>	<u>(95,450)</u>	<u>(233,597)</u>	<u>(26,859)</u>	<u>(80,872)</u>
<b>Gross profit</b>		113,361	111,969	132,784	36,957	57,501
Other income	6	3,360	2,514	2,847	510	761
Other gains/(losses), net	7	3,358	982	(3,083)	(1,089)	(1,876)
General and administrative expenses	8	<u>(8,450)</u>	<u>(9,918)</u>	<u>(10,017)</u>	<u>(3,617)</u>	<u>(12,140)</u>
<b>Operating profit</b>		111,629	105,547	122,531	32,761	44,246
Finance costs	11	<u>(50,835)</u>	<u>(42,818)</u>	<u>(41,972)</u>	<u>(13,305)</u>	<u>(14,884)</u>
<b>Profit before income tax</b>		60,794	62,729	80,559	19,456	29,362
Income tax expense	12	<u>(15,741)</u>	<u>(17,174)</u>	<u>(21,659)</u>	<u>(5,672)</u>	<u>(9,974)</u>
<b>Profit for the year/period</b>		<u>45,053</u>	<u>45,555</u>	<u>58,900</u>	<u>13,784</u>	<u>19,388</u>
<b>Profit for the year/period attributable to:</b>						
Owners of the Company		45,596	46,218	58,915	13,882	19,254
Non-controlling interest		<u>(543)</u>	<u>(663)</u>	<u>(15)</u>	<u>(98)</u>	<u>134</u>
		<u>45,053</u>	<u>45,555</u>	<u>58,900</u>	<u>13,784</u>	<u>19,388</u>
<b>Earnings per share for profit attributable to owners of the Company</b>						
— Basic and diluted	13	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**Combined Statements of Comprehensive Income**

	Year ended 31 December			Four months ended	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit for the year/period	45,053	45,555	58,900	13,784	19,388
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Currency translation differences	(26,829)	(37,912)	42,253	4,063	27,353
Reclassification of exchange reserve upon deregistration/disposal of subsidiaries	—	—	—	—	(2,050)
Total comprehensive income for the year/period	<u>18,224</u>	<u>7,643</u>	<u>101,153</u>	<u>17,847</u>	<u>44,691</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company	18,935	8,167	101,409	17,995	44,899
Non-controlling interest	<u>(711)</u>	<u>(524)</u>	<u>(256)</u>	<u>(148)</u>	<u>(208)</u>
	<u>18,224</u>	<u>7,643</u>	<u>101,153</u>	<u>17,847</u>	<u>44,691</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**Combined Statements of Financial Position**

		As at 31 December			As at
		2015	2016	2017	30 April
	Note	HK\$'000	HK\$'000	HK\$'000	2018
					HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	1,191	1,089	1,700	1,666
Receivable under service concession arrangement	16	1,111,732	986,953	1,153,512	1,221,986
Intangible assets	17	51,196	47,682	59,496	63,910
Restricted bank balances	20	4,776	4,472	4,785	4,957
Other non-current assets	27	46,055	43,119	46,143	—
		<u>1,214,950</u>	<u>1,083,315</u>	<u>1,265,636</u>	<u>1,292,519</u>
<b>Current assets</b>					
Inventories	18	440	269	364	370
Trade and other receivables	19	5,548	10,961	36,126	77,116
Receivable under service concession arrangement	16	114,686	236,388	251,359	274,401
Amounts due from fellow subsidiaries	30(b)	14,969	13,993	17,962	21,041
Financial assets at fair value through profit or loss	25	82,181	58,997	66,873	16,926
Restricted bank balances	20	—	—	6,580	6,816
Cash and cash equivalents	20	37,972	80,214	130,141	199,745
		<u>255,796</u>	<u>400,822</u>	<u>509,405</u>	<u>596,415</u>
<b>Total assets</b>		<u>1,470,746</u>	<u>1,484,137</u>	<u>1,775,041</u>	<u>1,888,934</u>
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Share capital	21	1	1	1	1
Reserves	22	(12,213)	(50,264)	(7,770)	48,381
Retained earnings		97,050	143,268	202,183	221,437
		84,838	93,005	194,414	269,819
<b>Non-controlling interest</b>		<u>(12,148)</u>	<u>(12,672)</u>	<u>(12,928)</u>	<u>—</u>
<b>Total equity</b>		<u>72,690</u>	<u>80,333</u>	<u>181,486</u>	<u>269,819</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

		As at 31 December			As at
		2015	2016	2017	30 April
	Note	HK\$'000	HK\$'000	HK\$'000	2018
					HK\$'000
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Long-term borrowings	23	700,645	673,939	700,356	743,124
Deferred tax liabilities	26	<u>50,413</u>	<u>63,649</u>	<u>90,371</u>	<u>103,533</u>
		<u>751,058</u>	<u>737,588</u>	<u>790,727</u>	<u>846,657</u>
<b>Current liabilities</b>					
Trade and other payables	24	73,544	85,961	134,062	113,637
Amount due to Taliworks Corporation Berhad	30(c)	534,482	—	—	—
Amount due to LGB Group (HK) Limited	30(c)	—	535,161	595,739	602,284
Amount due to a fellow subsidiary	30(b)	4,771	4,467	4,780	—
Amounts due to related companies	30(b)	6	13	146	—
Current portion of long-term borrowings	23	17,479	26,640	48,960	50,750
Short-term borrowings	23	<u>16,716</u>	<u>13,974</u>	<u>19,141</u>	<u>5,787</u>
		<u>646,998</u>	<u>666,216</u>	<u>802,828</u>	<u>772,458</u>
<b>Total liabilities</b>		<u>1,398,056</u>	<u>1,403,804</u>	<u>1,593,555</u>	<u>1,619,115</u>
<b>Total equity and liabilities</b>		<u>1,470,746</u>	<u>1,484,137</u>	<u>1,775,041</u>	<u>1,888,934</u>
<b>Net current liabilities</b>		<u>391,202</u>	<u>265,394</u>	<u>293,423</u>	<u>176,043</u>
<b>Total assets less current liabilities</b>		<u>823,748</u>	<u>817,921</u>	<u>972,213</u>	<u>1,116,476</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**Company Statement of Financial Position**

	<i>Note</i>	<b>As at 30 April 2018 HK\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Prepayment	19	<u>2,413</u>
<b>Total assets</b>		<u><u>2,413</u></u>
<b>EQUITY</b>		
Share capital	21	—
Accumulated losses	31	<u>(8,374)</u>
<b>Total deficit</b>		<u>(8,374)</u>
<b>LIABILITY</b>		
<b>Current liabilities</b>		
Other payables	24	8,609
Amounts due to subsidiaries	30(d)	<u>2,178</u>
<b>Total liabilities</b>		<u><u>10,787</u></u>
<b>Total equity and liabilities</b>		<u><u>2,413</u></u>
<b>Net current liabilities</b>		<u><u>8,374</u></u>
<b>Total assets less current liabilities</b>		<u><u>8,374</u></u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**Combined Statements of Changes in Equity**

	Equity attributable to owners of the Group						Total equity HK\$'000
	Share capital	Exchange reserves	Capital reserve	Retained earnings	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 January 2015</b>	1	14,448	—	51,454	65,903	(11,437)	54,466
Profit for the year	—	—	—	45,596	45,596	(543)	45,053
Other comprehensive income							
Currency translation differences	—	(26,661)	—	—	(26,661)	(168)	(26,829)
<b>At 31 December 2015</b>	1	(12,213)	—	97,050	84,838	(12,148)	72,690
Profit for the year	—	—	—	46,218	46,218	(663)	45,555
Other comprehensive income							
Currency translation differences	—	(38,051)	—	—	(38,051)	139	(37,912)
<b>At 31 December 2016</b>	1	(50,264)	—	143,268	93,005	(12,672)	80,333
Profit for the year	—	—	—	58,915	58,915	(15)	58,900
Other comprehensive income							
Currency translation differences	—	42,494	—	—	42,494	(241)	42,253
<b>At 31 December 2017</b>	1	(7,770)	—	202,183	194,414	(12,928)	181,486
Profit for the period	—	—	—	19,254	19,254	134	19,388
Other comprehensive income							
Currency translation differences	—	27,080	—	—	27,080	273	27,353
Deregistration of a subsidiary	—	(144)	—	—	(144)	—	(144)
Transactions with owners in their capacity as owners:							
Disposal of subsidiaries (note 32)	—	(1,291)	30,506	—	29,215	12,521	41,736
<b>At 30 April 2018</b>	<u>1</u>	<u>17,875</u>	<u>30,506</u>	<u>221,437</u>	<u>269,819</u>	<u>—</u>	<u>269,819</u>
Unaudited							
<b>At 1 January 2017</b>	1	(50,264)	—	143,268	93,005	(12,672)	80,333
Profit for the period	—	—	—	13,882	13,882	(98)	13,784
Other comprehensive income							
Currency translation differences	—	4,113	—	—	4,113	(50)	4,063
<b>At 30 April 2017</b>	<u>1</u>	<u>(46,151)</u>	<u>—</u>	<u>157,150</u>	<u>111,000</u>	<u>(12,820)</u>	<u>98,180</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**Combined Statements of Cash Flows**

	Note	Year ended 31 December			Four months ended	
		2015	2016	2017	30 April	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)						
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations	28(a)	<u>48,646</u>	<u>41,046</u>	<u>35,709</u>	<u>(271)</u>	<u>(35,542)</u>
<b>Net cash generated from operating activities</b>		<u>48,646</u>	<u>41,046</u>	<u>35,709</u>	<u>(271)</u>	<u>(35,542)</u>
<b>Cash flows from investing activities</b>						
Purchases of property, plant and equipment		(15)	(240)	(736)	(23)	(66)
Proceeds from disposal of property, plant and equipment		53	126	8	—	—
Additions of financial assets at fair value through profit or loss		(134,310)	(17,910)	(35,889)	—	—
Proceeds from the disposals of financial assets at fair value through profit or loss		50,520	35,773	31,104	—	51,727
Disposal of subsidiaries		—	—	—	—	(76)
Interest received		<u>296</u>	<u>429</u>	<u>641</u>	<u>148</u>	<u>347</u>
<b>Net cash (used in)/generated from investing activities</b>		<u>(83,456)</u>	<u>18,178</u>	<u>(4,872)</u>	<u>125</u>	<u>51,932</u>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		94,017	62,925	47,254	12,772	17,749
Repayments of borrowings		(34,596)	(35,207)	(43,564)	(9,582)	(14,122)
Interest paid		(50,975)	(42,833)	(42,108)	(13,349)	(14,906)
Changes in amounts due from Taliworks Corporation Berhad	28(b)	3,150	—	—	—	—
Changes in amounts due from LGB Group (HK) Limited	28(b)	<u>—</u>	<u>856</u>	<u>55,397</u>	<u>263</u>	<u>59,138</u>
<b>Net cash generated from/(used in) financing activities</b>		<u>11,596</u>	<u>(14,259)</u>	<u>16,979</u>	<u>(9,896)</u>	<u>47,859</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>						
Cash and cash equivalents at beginning of year		63,197	37,972	80,214	80,214	130,141
Currency translation differences		<u>(2,011)</u>	<u>(2,723)</u>	<u>2,111</u>	<u>(1,167)</u>	<u>5,355</u>
<b>Cash and cash equivalents at end of year</b>	20	<u>37,972</u>	<u>80,214</u>	<u>130,141</u>	<u>69,005</u>	<u>199,745</u>

## APPENDIX I

## ACCOUNTANT’S REPORT

### II NOTES TO THE FINANCIAL INFORMATION

#### 1 General information, reorganisation and basis of presentation

##### 1.1 General information

TIL Enviro Limited (the “**Company**”) was incorporated in the Cayman Islands on 17 April 2018 with limited liability. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108. The immediate holding company is Sparkle Century Group Limited (“**Sparkle Century**”), a limited liability company incorporated in the British Virgin Islands. The ultimate holding company is LGB (Malaysia) Sdn. Bhd. (“**LGB (Malaysia)**”), a private limited liability company incorporated in Malaysia. The ultimate controlling shareholders of the Group are Mr. Lim Chee Meng (“**Mr. CM Lim**”) and Mr. Lim Chin Sean (“**Mr. CS Lim**”) (the “**Controlling Shareholders**”).

The Company is an investment holding company, and its subsidiaries comprising the Group are principally engaged in the wastewater treatment business in the People’s Republic of China (the “**PRC**”) (the “[**REDACTED**]”).

##### 1.2 Reorganisation

Prior to the incorporation of the Company and the group reorganisation (the “**Reorganisation**”, as explained below), the [REDACTED] was carried out by Taliworks International Limited (“**TIL**”) and its subsidiaries. In preparation for the [REDACTED] and [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “[**REDACTED**]”), the Group underwent the Reorganisation as follows:

- (i) Sparkle Century was incorporated in the British Virgin Islands (“**BVI**”) as a limited liability company on 6 February 2018 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each and one share was issued and allotted, credited as fully paid, to LGB Group (HK) Limited (“**LGB (HK)**”).
- (ii) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 April 2018. As at the date of incorporation, the Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. At the time of incorporation, one nil paid share was issued and allotted to an initial subscriber and was subsequently transferred to Sparkle Century, while Sparkle Century was wholly-owned by LGB (HK).
- (iii) White Empire Group Limited (“**White Empire**”) was incorporated in BVI as a limited liability company on 12 February 2018 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 9 May 2018, one ordinary share with a par value of US\$1 of White Empire, representing the then entire issued share capital of White Empire, was issued and allotted to the Company at par and credited as fully paid.
- (iv) On 11 April 2018, TIL (as vendor) and LGB (HK) (as purchaser) entered into a sale and purchase agreement pursuant to which, TIL agreed to sell and LGB (HK) agreed to purchase 70% equity interest held by TIL in Taliworks Eco Pte Ltd (“**TECO**”). As consideration, LGB (HK) agreed to pay TIL SG\$1 as cash consideration (which was determined by the parties with reference to the net loss position of TECO); and assume absolutely and unconditionally all liabilities of TECO owed to TIL by entering into a deed of novation on the same day with TIL and TECO. The transactions were properly and legally completed and settled on 11 April 2018, following which TECO and its subsidiary ceased to be subsidiaries of TIL.
- (v) On 10 May 2018, White Empire (as purchaser), LGB (HK) (as vendor), the Company, Sparkle Century, and TIL entered into a sale and purchase agreement, pursuant to which, LGB (HK) agreed to transfer the entire issued share capital of TIL to White Empire. In consideration for such transaction, as directed by LGB (HK) and procured by White Empire, (a) White Empire agreed to issue and allot one ordinary share, credited as fully paid, to the Company; (b) the Company agreed to credit one nil-paid share held by Sparkle Century as fully paid; (c) the Company agreed to issue and allot 9,999 shares, all credited as fully paid, to Sparkle Century; (d) Sparkle Century agreed to issue and allot one ordinary share, credited as fully paid, to LGB (HK); and (e) the Company agreed to assume the debt owed by TIL to LGB (HK) prior to the transaction. On the same day, TIL, the Company and LGB (HK) entered into a deed of novation for assumption of the

**APPENDIX I**

**ACCOUNTANT’S REPORT**

aforesaid debt of TIL, following which the aforesaid debt became due from the Company to LGB (HK). The transactions were properly and legally completed and settled on 10 May 2018, following which TIL became wholly-owned by White Empire.

Upon completion of the Reorganisation, the Company has become the then holding company of the other companies comprising the Group.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private limited liability companies and the particulars of which are set out below:

Name	Place and date of incorporation/ establishment	Issued or registered paid up capital	Percentage of equity attributable to the Group				As at the date of this report	Principal activities	Name of statutory auditors			
			31 December 2015	2016	2017	30 April 2018			31 December 2015	2016	2017	30 April 2018
White Empire Group Limited	BVI, 12 February 2018	US dollar 1	—	—	—	100%	100%	Investment holding	N/A	N/A	N/A	N/A
Taliworks-IBI Technologies International Limited	Hong Kong, 4 June 2007	HK\$200,000	70%	70%	70%	70%	70%	In the process of winding up	N/A	N/A	N/A	N/A
Taliworks International Limited	Hong Kong, 27 September 2002	HK\$100	100%	100%	100%	100%	100%	Investment holding	(ii)	(ii)	(ii)	(ii)
Taliworks (Shanghai) Co., Ltd.	The PRC, 24 July 2005	US dollars 125,000	100%	100%	100%	100%	100%	Inactive	(i)	(i)	(i)	(i)
Taliworks Eco Pte Ltd.	Singapore, 4 March 2008	Singapore dollars 100,000	70%	70%	70%	—	—	Investment holding	(iii)	(iii)	(iii)	(iii)
Taliworks (Shanghai) Environmental Technologies Co., Ltd.	The PRC, 5 November 2008	US dollars 1,500,000	100%	100%	100%	100%	100%	Consultancy service	(i)	(i)	(i)	(i)
Taliworks Environment Limited	Hong Kong, 16 December 2008	HK\$10,000	100%	100%	100%	100%	100%	Inactive	(ii)	(ii)	(ii)	(ii)
Tilgea Consortium Sdn. Bhd.	Malaysia, 20 May 2010	Malaysian Ringgit 1,000,000	70%	70%	70%	—	—	Deregistered	(v)	(v)	(v)	(v)
Ningxia Eco Wastewater Treatment Co., Ltd.	The PRC, 17 June 2010	US dollars 4,200,000	70%	70%	70%	—	—	Inactive	(iv)	(iv)	(iv)	(iv)
Taliworks (Yinchuan) Wastewater Treatment Co., Ltd.	The PRC, 6 May 2011	US dollars 75,880,000	100%	100%	100%	100%	100%	Wastewater treatment	(iv)	(iv)	(iv)	(iv)

- (i) The statutory financial statements were audited by CAC CPA Limited Liability Partnership
- (ii) The statutory financial statements were audited by Eric Mok & Co., Limited
- (iii) The statutory financial statements were audited by Uhy Lee Seng Chan & Co
- (iv) The statutory financial statements were audited by 寧夏天華會計師事務所
- (v) The statutory financial statements were audited by Deloitte PLT Chartered Accountants

## APPENDIX I

## ACCOUNTANT'S REPORT

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] is held by TIL and its subsidiaries, which were owned and controlled by the Controlling Shareholders. Pursuant to the Reorganisation, TIL and the [REDACTED] are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the shareholding structure of the [REDACTED] with no changes in management of such business and the ultimate owners of the [REDACTED] remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [REDACTED] under TIL and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of TIL and its subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the [REDACTED] under the consolidated financial statements of TIL for all years/periods presented, since the respective dates of incorporation/establishment of the combining entities, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is the earlier.

The Historical Financial Information also included the assets and liabilities of TECO and its subsidiary before the disposal to LGB (HK) (Note 1.2(iv)) because they were not managed separately and were financially controlled within the Group and its operations were integral part of the [REDACTED] during the Track Record Period before the disposal to LGB (HK) (Note 1.2(iv)). Their financial information is disclosed in note 32.

## 2 Summary of accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the valuation of financial assets at fair value through profit or loss, which have been measured at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

As at 31 December 2015, 2016 and 2017, and 30 April 2018, the Group had net current liabilities of approximately HK\$391,202,000, HK\$265,394,000, HK\$293,423,000 and HK\$176,043,000 respectively. The shortfall in net current liabilities was primarily attributable to amounts due to Taliworks Corporation Berhad ("TCB"), the former immediate holding company (approximately HK\$534,482,000 as at 31 December 2015), and LGB (HK), the current immediate holding company (approximately HK\$535,161,000, HK\$595,739,000 and HK\$602,284,000 as at 31 December 2016 and 2017 and 30 April 2018 respectively), which have been subsequently capitalised on 28 September 2018 after the period end (note 33). As at 30 April 2018, the Company had net current liabilities of approximately HK\$8,374,000 and net liabilities of the same amount.

The directors have reviewed the Group's cash flow projections and have made due enquiries and considered the basis and assumptions of management's projections as described above. The directors are of the opinion that, taking into account the Group's future operational performance and the expected future operating cash inflows, and the continuous availability of bank facilities, the Company and the Group will have sufficient financial resources to support its operations and to meet their financial obligations as and when they fall due in the coming twelve months from 30 April 2018. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

#### *Adoption of Hong Kong Financial Reporting Standard 9 "Financial instruments" ("HKFRS 9")*

The Group has adopted HKFRS 9 on 1 January 2015 for the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2017 and 2018 in the Historical Financial Information. The new accounting policies replace the provisions of HKAS 39 Financial Instruments: Recognition and Measurement (HKAS 39) in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii)

**APPENDIX I**

**ACCOUNTANT’S REPORT**

derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments: Disclosures. The new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

*Adoption of Hong Kong Financial Reporting Standard 15 “Revenue from contracts with customers” (“HKFRS 15”)*

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning or after 1 January 2018.

The Group has adopted HKFRS 15 on 1 January 2015 for the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2017 and 2018 in the Historical Financial Information because the new accounting standard provides more reliable and relevant information for users to assess the amounts, timing and uncertainty of revenue and cash flows.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

*Standards, amendments to standards and interpretation which are not yet effective*

The following new standards and amendments to existing standards have been issued and are mandatory for the Group’s accounting periods beginning after 1 January 2019 and later periods and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 16	Leases	1 January 2019
HK(IFRIC) — Int 23	Uncertainty over income tax treatments	1 January 2019
Annual Improvements 2015–2017 Cycle	Improvements to HKFRSs	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019

The Group has already commenced an assessment of the related impact to the Group of the above standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company, management does not anticipate any significant impact on the Group’s financial positions and results of operations except as disclosed below.

*HKFRS 16, “Leases”*

HKFRS 16 specifies how an entity will recognise, measure, present and disclose leases. HKFRS 16 is mandatory for the Group’s financial statements for annual periods beginning on or after 1 January 2019. The Group currently plans to adopt this new standard on 1 January 2019.

The new standard provides a single, on balance sheet lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the balance sheet, as the distinction between operating and finance leases is removed. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as HKFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The combination of a

## APPENDIX I

## ACCOUNTANT’S REPORT

straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing “total lease expense” over the lease term. In the initial years of a lease, the new standard will result in an aggregate expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group’s profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group’s overall lease portfolio in that year.

As a lessee, the Group can either apply the standard using a full retrospective approach, or a modified retrospective approach with optional practical expedients.

The Group is considering to elect the modified retrospective approach upon the initial adoption. Under the modified retrospective approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 16, i.e. 1 January 2019; and (iii) the Group will recognise the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2019.

As at 30 April 2018, the Group has non-cancellable operating lease commitments of approximately HK\$1,526,000 which accounts for less than 1% of the Group’s total asset and liabilities respectively as at 30 April 2018. The Group expects that the adoption of HKFRS 16 as compared with the current accounting policy would not result in significant impact on the Group’s assets and liabilities. Upon adoption of HKFRS 16, the Group will recognise a liability reflecting these future lease payments and right-of-use assets, unless the underlying asset is of low value or they are short-term leases, in its balance sheets. However, the Group does not expect a significant impact on operating performance.

### 2.2 *Subsidiaries*

#### 2.2.1 *Consolidation*

##### (i) *Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are combined from the date on which control is transferred to the Group. They are decombined from the date that control ceases.

##### *Business combinations under acquisition accounting*

The acquisition method of accounting is used to account for business combination by the Group other than business combination under common control. The consideration transferred for the acquisition of a subsidiary or business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

##### (ii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in combined income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had

## APPENDIX I

## ACCOUNTANT’S REPORT

directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to combined statement of equity as specified/permitted by applicable HKFRSs.

### 2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

### 2.3 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performances of the operating segments, has been identified as the management that make strategic decisions.

### 2.4 *Foreign currency translation*

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information are presented in Hong Kong dollars (“**HK\$**”), which is the Company’s functional and the Group’s presentation currency.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

#### (iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

## APPENDIX I

## ACCOUNTANT’S REPORT

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.5 *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the combined income statement during the financial period in which they are incurred.

Depreciation is calculated to write off the cost to their residual value on a straight-line basis over the expected useful lives. The useful lives or principal annual rates used are:

Furniture, fixtures and equipment	20%–33%
Motor vehicles	10%–25%
Computer equipment	20%–33.3%

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within “Other gains/(losses), net” in profit or loss.

### 2.6 *Intangible assets*

#### (i) *Service concession right*

The Group applies the intangible asset model to account for the water infrastructures as service concession right where they are paid by the users of the water concession services and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of costs incurred to be recoverable. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the water concession service.

Service concession right is initially recognised at fair value of the consideration paid and subsequently stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation of service concession right is calculated to write off their costs on a straight-line basis over the term of operation until September 2041. Both remaining period and method of amortisation are reviewed at each finance reporting date.

#### (ii) *Computer softwares*

The intangible assets other than goodwill are measured initially at cost, and subsequently amortised on a straight-line basis over its estimated useful life of five years and carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life reflect the director’s estimate of the periods that the Group intends to derive future economic benefits from the use of assets.

## APPENDIX I

## ACCOUNTANT’S REPORT

### 2.7 *Service concession arrangement*

The Group has entered into a service concession arrangement with a governmental authority (the “**Grantor**”). The service concession arrangement is a Transfer-Operate-Transfer (the “**TOT**”) arrangement. Under the TOT arrangement, the Group pays consideration for the right from the Grantor to operate the wastewater and recycled water treatment plants that have been built and receives in return a right to operate the service project concerned for a specified period of time (the “**Service Concession Period**”) in accordance with the pre-established conditions set by the Grantor, and the service project should be transferred to the Grantor at zero consideration at the end of the Service Concession Period. Furthermore, the Group is required to complete certain upgrading and expansion works within the prescribed timelines as specified or approved by the Grantor.

The Group is generally entitled to use the facilities, however, the relevant governmental authority as the Grantor will control and regulate the scope of service that the Group must provide with the facilities, and retain the beneficial entitlement to any residual interest in the facilities at the end of the Service Concession Period. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, and specific obligations levied on the Group to restore the facilities to a specified level of serviceability at the end of the Service Concession Period and arrangements for arbitrating disputes.

#### (i) *Consideration given by the Grantor*

Consideration received or receivable by the Group for the services rendered under service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the Grantor for the services rendered; and (b) the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset is accounted for in accordance with the policy set out for “Financial assets” in note 2.9.

An intangible asset (service concession right) is recognised to the extent that the Group receives a right to charge users of public services, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses and service. The intangible asset (service concession) is accounted for in accordance with the policy set out for “Intangible assets” above.

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

Gains arising from the excess of final outcome of the future cash flows over the estimates adopted in the service concession arrangement is presented in the combined income statements in the period in which they arise. When the final outcome of the future cash flows falls short of the estimates adopted, the Group tests the intangible assets for impairment, and assesses the expected credit losses associated with the receivable under service concession arrangement, in accordance with the policy set out in note 2.8 and note 2.9(c) respectively.

#### (ii) *Construction and upgrade services*

The fair value of the construction and upgrade services under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are valued by an independent qualified valuer, based on prevailing market rate applicable to similar construction services rendered in similar location at date of agreement.

## APPENDIX I

## ACCOUNTANT’S REPORT

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for “Revenue recognition” in note 2.19.

(iii) *Revenue relating to operating service*

Revenue relating to operating service are accounted for in accordance with the policy set out for “Revenue recognition” in note 2.19. Costs for operating services are expensed in the period in which they are incurred.

(iv) *Finance income*

Finance income in relation to the service concession arrangement are accounted for in accordance with the policy set out for “Revenue recognition” in note 2.19.

(v) *Contractual obligations to restore the infrastructure to a specified level of serviceability*

The Group has contractual obligations which it must fulfil as a condition of its licences, that is to maintain the wastewater and recycled water treatment and water distribution plants it operates to a specified level of serviceability. These contractual obligations to maintain or restore the wastewater and reclaimed water treatment, except for upgrade element, are recognised and measured in accordance with the policy set out for “Provisions” in note 2.17.

### 2.8 *Impairment of non-financial assets*

Assets that have an indefinite useful life are tested for impairment annually and when there is an indication that may be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.9 *Financial assets*

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

## APPENDIX I

## ACCOUNTANT’S REPORT

### *(b) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets are classified as current assets if expected to be settled within 12 months or in the normal operating cycle of the business, otherwise, they are classified as non-current.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in “Other gains/(losses), net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “Other gains/(losses), net”.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within “Other gains/(losses), net” in the period in which it arises.

#### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in “Other gain/(losses), net” in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## APPENDIX I

## ACCOUNTANT'S REPORT

### *(c) Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income and trade receivables and contract assets that contain significant financing component. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment on these financial assets are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

### **2.10 Inventories**

Inventories primarily represents chemicals and are stated at the lower of cost and net realisable value.

Cost, being cost of purchase, is determined on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **2.11 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### **2.12 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.13 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less after the end of the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## APPENDIX I

## ACCOUNTANT'S REPORT

### **2.14 Borrowings and borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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.

### **2.15 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### *(i) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at each of the reporting dates in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *(ii) Deferred income tax*

##### Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## APPENDIX I

## ACCOUNTANT'S REPORT

### Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

#### (iii) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.16 *Employee benefits*

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Retirement benefits*

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central retirement benefit scheme operated by the local municipal or provincial government. The subsidiaries in the PRC are required to contribute a percentage of their payroll costs to the central retirement benefit scheme. The Group has no further payment obligations once the contributions have been paid.

#### (iii) *Bonus plans*

The Group recognises a provision where contractually obliged or when it prepares to declare discretionary bonus after evaluating employee performance as well as the financial performance of business units.

### 2.17 *Provisions*

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## APPENDIX I

## ACCOUNTANT'S REPORT

### 2.18 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company and Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services and sales of recycle water in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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 asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

#### (i) Rendering of wastewater treatment operation services

Revenue from wastewater treatment operation services is recognised over the period when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

#### (ii) Recycle water supply operation services

Revenue from recycle water supply operation services is recognised at a point in time, when a Group entity has delivered water to the customer; the customer has accepted the water; the Group has present right to payment and the collection of the consideration is probable.

#### (iii) Revenue from wastewater treatment construction services

Revenue from wastewater treatment construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction

## APPENDIX I

## ACCOUNTANT'S REPORT

assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

(iv) *Finance income*

Finance income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(v) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(vi) *Management fees*

Management fees are recognised over the period when the services are rendered.

### 2.20 *Related parties*

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) as control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

## APPENDIX I

## ACCOUNTANT’S REPORT

- (c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
  - (i) that person’s children and spouse or domestic partner;
  - (ii) children of that person’s spouse or domestic partner; and
  - (iii) dependents of that person or that person’s spouse or domestic partner.

### 2.21 *Contract assets and contract liabilities*

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The Group recognises a contract asset for the right to consideration in exchange for goods or services that the Group has transferred to a customer, and the amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the payments from customer exceeds the revenue recognised to date, then the Group recognises a contract liability for the difference.

The Group recognises the costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

Costs to fulfil a contract comprise the cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in contract assets if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

## 3 **Financial risk management**

### 3.1 *Financial risk factors*

The Group’s activities expose it to a variety of financial risk: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

#### (a) *Market risk*

- (i) Foreign currency risk

The Group principally operates in the PRC with most of the transactions being settled in Renminbi (“RMB”), which is the functional currency of most of the group entities. Foreign currency risk arises from the recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group’s foreign operations is managed primarily through financing activities denominated in the relevant foreign currencies. The group entities are exposed to foreign exchange risk of foreign currencies other than their functional currencies, primarily with respect to the United States dollars (“US\$”) (the “**Non-functional currency**”).

Fluctuations in exchange rates between the functional currencies of respective group entities and Non-functional currency in which the group entities conducts business may affect the Group’s financial position and results of operations. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimising its net foreign currency position.

#### Sensitivity analysis

The sensitivity analysis includes Non-functional currency denominated monetary items and adjusts their translation at the year-end for a 1% change in Non-functional currency with all other variables held constant. If Non-functional currency had strengthened/weakened by 1% against the respective functional currencies of group entities, the net profit for the year/period of the Group would

## APPENDIX I

## ACCOUNTANT'S REPORT

decrease/increase by approximately HK\$4,692,000, HK\$4,574,000, HK\$5,172,000 and HK\$6,148,000 respectively for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018.

(ii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk primarily arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest risk which is partially offset by cash held at variable rates. The Group's interest-bearing bank borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points at the end of the year/period and all other variables were held constant, the Group's profit after income tax would decrease/increase by approximately HK\$5,191,000, HK\$4,724,000, HK\$4,702,000 and HK\$1,404,000 respectively for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018. The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rate over the next twelve month period.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents and restricted bank balances, receivable under service concession arrangement, trade and other receivables, amounts due from fellow subsidiaries, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(i) Credit risk of cash and cash equivalents and restricted bank balances

To manage this risk arising from cash and cash equivalents and restricted bank balances, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of receivable under service concession arrangement and trade receivables

For receivable under service concession arrangement and trade receivables, the customers are primarily local government's related entities and management considers the credit risk is not high. The Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that the expected credit risks of them are minimal in view of the history of cooperation with them. For details, please refer to note 16 and 19.

## APPENDIX I

## ACCOUNTANT'S REPORT

(iii) Credit risk of other receivables and amounts due from fellow subsidiaries

Other receivables at the end of each reporting period were mainly guarantees placed at Social Security Bureau in accordance with local laws and regulations and rental deposits. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behaviour of the third party, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fail due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/ repayable demanded greater than 120 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Based on historical experience, majority of the other receivables and amounts due from fellow subsidiaries were settled within 12 months after upon maturity, hence the expected credit loss is close to zero.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the Track Record Period.

(c) *Liquidity risk*

Liquidity risk relates to the risk that the Company or the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company and the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance and the Company's and the Group's operations and meet their short-term and long-term funding requirements. The Company and the Group rely on internally generated funding, borrowings and funding from intermediate holding company as significant sources of liquidity.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The maturity profile of the Group’s and the Company’s financial liabilities as at the reporting dates, based on the undiscounted contractual payments, were as follows:

<b>Group</b>	<b>Less than 1 year or no fixed term of repayment HK\$’000</b>	<b>Between 1 and 2 years HK\$’000</b>	<b>Between 2 and 5 years HK\$’000</b>	<b>Over 5 years HK\$’000</b>	<b>Total HK\$’000</b>
<b>At 31 December 2015</b>					
Borrowings and interest thereon	88,239	80,937	326,829	752,659	1,248,664
Trade and other payables	64,230	5,228	—	—	69,458
Amount due to TCB	534,482	—	—	—	534,482
Amount due to a fellow subsidiary	4,771	—	—	—	4,771
Amounts due to related companies	6	—	—	—	6
<b>At 31 December 2016</b>					
Borrowings and interest thereon	89,752	96,478	320,617	593,591	1,100,438
Trade and other payables	54,097	11,371	—	—	65,468
Amount due to LGB (HK)	535,161	—	—	—	535,161
Amount due to a fellow subsidiary	4,467	—	—	—	4,467
Amounts due to related companies	13	—	—	—	13
<b>At 31 December 2017</b>					
Borrowings and interest thereon	122,386	109,242	355,940	513,140	1,100,708
Trade and other payable	133,635	6	—	—	133,641
Amount due to LGB (HK)	595,739	—	—	—	595,739
Amount due to a fellow subsidiary	4,780	—	—	—	4,780
Amounts due to related companies	146	—	—	—	146
<b>At 30 April 2018</b>					
Borrowings and interest thereon	113,765	114,301	374,871	548,204	1,151,141
Trade and other payable	106,739	126	—	—	106,865
Amount due to LGB (HK)	602,284	—	—	—	602,284
<b>Company</b>					
<b>At 30 April 2018</b>					
Trade and other payable	8,609	—	—	—	8,609
Amounts due to subsidiaries	2,178	—	—	—	2,178

(d) *Fair value measurements*

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include receivable under service concession arrangement, restricted bank balances, cash and cash equivalents, trade and other receivables, amounts due from/to group and related companies, borrowings, and trade and other payables. The directors consider that the carrying amount of these financial assets and liabilities approximate their fair values at 31 December 2015, 2016 and 2017, and 30 April 2018.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

- (ii) Financial instruments measured at fair value

Fair value hierarchy

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets measured at fair value in the Historical Financial Information are grouped into the fair value hierarchy as follows:

Level 2	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
Financial asset at fair value through profit or loss	82,181	58,997	66,873	16,926

There have been no transfers between any levels during the Track Record Period.

**3.2 Capital management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018.

The capital structure of the Group consists of net debt, which includes various types of borrowings, such as bank borrowings and amount due to TCB/LGB (HK), less cash and cash equivalents; and equity, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents.

	As at 31 December		As at 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Borrowings	734,840	714,553	768,457	799,661
Amount due to TCB/LGB (HK)	<u>534,482</u>	<u>535,161</u>	<u>595,739</u>	<u>602,284</u>
Total debt	1,269,322	1,249,714	1,364,196	1,401,945
Less: Cash and cash equivalent	<u>(37,972)</u>	<u>(80,214)</u>	<u>(130,141)</u>	<u>(199,745)</u>
Net debt	1,231,350	1,169,500	1,234,055	1,202,200
Total equity	<u>72,690</u>	<u>80,333</u>	<u>181,486</u>	<u>269,819</u>
Total capital	1,304,040	1,249,833	1,415,541	1,472,019
Gearing ratio	<u>94.4%</u>	<u>93.6%</u>	<u>87.2%</u>	<u>81.7%</u>

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**4.1 Service concession arrangement**

As explained in notes 2.6(i) and 2.7, the Group recognises the consideration received or receivable in exchange for the services as a financial asset and/or an intangible asset under the service concession arrangement. If the Group is paid for the services partly by a financial asset and partly by any intangible asset, it is necessary to account separately for each component of the operator’s consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible assets component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, the operating margin (39.0%), interest rate (6.75%), expected future income generated from these infrastructure over its Service Concession Period including future guaranteed receipts and unguaranteed receipts, treated effluent volume, inflation of operating costs (3.0%), and also to choose a suitable post-tax discount rate (9.78%) throughout the Track Record Period in order to calculate the present value of the financial asset component and intangible assets component. These estimates are determined by the Group’s management based on their experience and assessment on current and future market condition. Any change in the expected cash flows will result in change in the carrying values of the financial asset component, and the intangible asset component accordingly.

The fair value of the upgrade services under the service concession arrangement is calculated as the estimated total construction cost plus a profit margin. The construction margin (10.0%) is adopted by an independent qualified valuer throughout the Track Record Period, based on prevailing market rate applicable to similar construction service rendered. Revenue relating to construction or upgrade services are accounted for in accordance with the accounting policy in note 2.19.

Imputed interest income is recognised from time to time on receivable under the service concession arrangement on an accrual basis using the effective interest method by discounting the estimated future cash receipts over the Service Concession Period at the estimated effective interest rate computed at initial recognition.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

According to the TOT agreement entered into by the Group and the Grantor in September 2011, the Grantor will compensate the Group if there is any change in the tax rules of Business Tax (“BT”) or Value-Added Tax (“VAT”) during the Service Concession Period leading to increase in the Group’s operating costs.

On 9 December 2008, the Ministry of Finance and the State Administration of Taxation jointly issued Notice on Value Added Tax Policy Regarding Comprehensive Utilisation of Resources and Other Products Caishui [2008] No.156 (hereinafter referred to as Caishui [2008] No.156). According to Caishui [2008] No.156, with effect from 1 January 2009, taxpayers engaged in the wastewater processing business and sales of reclaimed water are eligible for 100% VAT exemption if they satisfy the requirements as set out in Caishui [2008] No.156 and obtain the Certificate of Comprehensive Utilisation of Resources. On 12 June 2015, the Ministry of Finance and the State Administration of Taxation issued the Notice on Preferential Value-added Tax Catalogue for Products and Services Involving Comprehensive Utilisation of Resources, Caishui [2015] No.78 (hereinafter referred to as Caishui [2015] No.78). According to Caishui [2015] No.78, taxpayers engaged in the wastewater processing business and sales of reclaimed water are required to pay VAT with effect from 1 July 2015, with 70% and 50% of the VAT in relation to the wastewater processing business and sales of reclaimed water respectively refunded upon VAT being paid.

During the six months ended 30 June 2015, the Group was exempted from VAT according to Caishui [2008] No.156. Since 1 July 2015, 70% and 50% of the VAT paid by the Group in relation to the wastewater processing business and the sales of reclaimed water respectively were refunded according to Caishui [2015] No.78, and the Group was entitled to claim and have claimed the Grantor for the balance of the VAT payment under the TOT agreement. Hence management considered there is reasonable assurance to assume these compensations will be continuously received throughout the Service Concession Period. When the expectation is different from the original estimate, such differences will impact the segregation of the consideration between the financial asset component and the intangible asset component.

The assumptions used in the assessment are highly judgemental and interrelated, the change of one key assumption will trigger corresponding changes in other assumptions. For illustration purposes, a hypothetical change in these key assumptions would have the following changes to the financial position of the Group for the years ended 31 December 2015, 2016, and 2017 and the four months ended 30 April 2018.

*As at and for the year ended 31 December 2015*

Key assumptions	Hypothetical changes	Receivable under service	Intangible assets	Profit after tax increase/
		concession arrangement	increase/(decrease)	(decrease)
		increase/(decrease)	increase/(decrease)	(decrease)
		HK\$’000	HK\$’000	HK\$’000
Operating margin	-1.0%	9,680	(7,731)	331
	+1.0%	(9,680)	7,731	(331)
Interest rate	-0.5%	(10,046)	(3,392)	(2,661)
	+0.5%	16,772	(2,156)	2,873
Construction margin	-0.5%	1,871	(1,826)	(162)
	+0.5%	(1,871)	1,826	163
Expected tariffs on future receipts	-2.0%	922	(2,730)	(508)
	+2.0%	3,125	3,074	1,614
Inflation of operating costs	+0.5%	(22,656)	(4,217)	5,868
	-0.5%	19,755	3,066	(5,046)
Discount rate	+0.5%	2,218	(1,771)	76
	-0.5%	(2,349)	1,876	(80)
VAT refund	Reduction of 30%	(4,705)	(5,122)	(2,563)

**APPENDIX I**

**ACCOUNTANT'S REPORT**

*As at and for the year ended 31 December 2016*

Key assumptions	Hypothetical changes	Receivable under service concession arrangement	Intangible assets	Profit after tax increase/ (decrease)
		increase/(decrease) HK\$'000	increase/(decrease) HK\$'000	(decrease) HK\$'000
Operating margin	-1.0%	9,376	(7,201)	274
	+1.0%	(9,376)	7,201	(274)
Interest rate	-0.5%	(12,379)	(3,159)	(2,316)
	+0.5%	18,859	(2,008)	2,480
Construction margin	-0.5%	1,791	(1,707)	34
	+0.5%	(1,791)	1,707	(34)
Expected tariffs on future receipts	-2.0%	(76)	(2,542)	(725)
	+2.0%	5,735	2,863	2,188
Inflation of operating costs	+0.5%	(29,274)	(3,928)	6,297
	-0.5%	25,482	2,856	(5,459)
Discount rate	+0.5%	2,148	(1,650)	63
	-0.5%	(2,275)	1,747	(67)
VAT refund	Reduction of 30%	(8,875)	(4,770)	(3,481)

*As at and for the year ended 31 December 2017*

Key assumptions	Hypothetical changes	Receivable under service concession arrangement	Intangible assets	Profit after tax increase/ (decrease)
		increase/(decrease) HK\$'000	increase/(decrease) HK\$'000	(decrease) HK\$'000
Operating margin	-1.0%	11,790	(8,985)	349
	+1.0%	(11,790)	8,985	(349)
Interest rate	-0.5%	(16,997)	(3,941)	(3,146)
	+0.5%	25,204	(2,505)	3,405
Construction margin	-0.5%	1,537	(2,170)	(527)
	+0.5%	(1,537)	2,170	528
Expected tariffs on future receipts	-2.0%	(511)	(3,172)	(643)
	+2.0%	8,374	3,572	2,003
Inflation of operating costs	+0.5%	(40,253)	(4,900)	7,023
	-0.5%	35,170	3,563	(6,136)
Discount rate	+0.5%	2,701	(2,058)	80
	-0.5%	(2,861)	2,180	(85)
VAT refund	Reduction of 30%	(13,013)	(5,952)	(3,184)

**APPENDIX I**

**ACCOUNTANT’S REPORT**

*As at and for the four months ended 30 April 2018*

Key assumptions	Hypothetical changes	Receivable under service concession arrangement	Intangible assets	Profit after tax increase/ (decrease)
		increase/(decrease) HK\$'000	increase/(decrease) HK\$'000	(decrease) HK\$'000
Operating margin	-1.0%	12,667	(9,667)	71
	+1.0%	(12,667)	9,667	(71)
Interest rate	-0.5%	(18,404)	(4,241)	(719)
	+0.5%	27,214	(2,695)	758
Construction margin	-0.5%	1,479	(2,072)	(211)
	+0.5%	(1,479)	2,072	211
Expected tariffs on future receipts	-2.0%	(246)	(3,413)	118
	+2.0%	9,426	3,843	675
Inflation of operating costs	+0.5%	(45,154)	(5,273)	2,755
	-0.5%	39,506	3,834	(2,426)
Discount rate	+0.5%	2,902	(2,215)	16
	-0.5%	(3,073)	2,345	(17)
VAT refund	Reduction of 30%	(15,800)	(6,404)	(1,929)

**4.2 Useful lives of property, plant and equipment and intangible assets**

The Group depreciates the property, plant and equipment, amortises the intangible assets in accordance with the accounting policies stated in notes 2.5 and 2.6 respectively. The estimated useful lives reflect the director’s estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

**4.3 Impairment of receivables**

Provision for expected credit loss is made when the Group will not collect all amounts due. The provision is determined by grouping together debtors with similar risk characteristics and collectively, or individually assessing them for likelihood of recovery. The provision reflects either 12-month expected credit losses, or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk. Judgement has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of debtors and the likelihood of recovery assessed on a combination of collective and individual bases as relevant. While provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to profit or loss. Key judgements on provisions made across businesses are disclosed in note 19.

**4.4 Income taxes and deferred taxation**

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**5 Revenue and segment information**

Management has determined the operating segments based on the information reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of directors of TIL during the Track Record Period.

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole. The Board of directors of TIL considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole and regards the Group as a single operating segment and reviews Historical Financial Information accordingly. Therefore, the Board of directors of TIL considers these to be only one operating segment under the requirements of HKFRS 8 “Operating Segments”.

The Group provides wastewater treatment services in the PRC during the Track Record Period.

An analysis of the Group’s revenue from contracts with customers is as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
<b>Revenue</b>					
Wastewater treatment operation services	73,194	87,571	76,590	26,294	41,470
Recycle water supply operation services	6,299	5,189	5,428	1,354	2,118
Wastewater treatment construction services	91,243	32,647	197,249	8,428	61,546
Finance income from service concession arrangement	78,694	80,938	86,002	27,381	32,489
Management fees from a related company (note 30(a))	1,091	1,074	1,112	359	750
	<u>250,521</u>	<u>207,419</u>	<u>366,381</u>	<u>63,816</u>	<u>138,373</u>
<b>Timing of revenue recognition</b>					
At a point in time	6,299	5,189	5,428	1,354	2,118
Over time	<u>165,528</u>	<u>121,292</u>	<u>274,951</u>	<u>35,081</u>	<u>103,766</u>
	171,827	126,481	280,379	36,435	105,884
Finance income from service concession arrangement	<u>78,694</u>	<u>80,938</u>	<u>86,002</u>	<u>27,381</u>	<u>32,489</u>
	<u>250,521</u>	<u>207,419</u>	<u>366,381</u>	<u>63,816</u>	<u>138,373</u>

**Segment assets and liabilities**

No assets and liabilities are included in the Group’s segment reporting that are submitted to and reviewed by the CODM internally. Accordingly, no segment assets and liabilities are presented.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

*Information about major customers*

External customers, who contribute over 10% of total revenue of the Group for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Customer A	<u>243,131</u>	<u>201,156</u>	<u>359,841</u>	<u>62,103</u>	<u>135,505</u>

*Geographical information*

During the Track Record Period, all of the revenue was from customers in the PRC.

In relation to non-current assets held by the Group (primarily represented by property, plant and equipment, receivable under service concession arrangement, intangible assets and other non-current assets as detailed in notes 15, 16, 17 and 27), these are located in the PRC.

*Contract assets and liabilities*

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Contract assets — receivable under service concession arrangement ( <i>note (i)</i> )				
— Non-current	1,183	32,102	191,860	239,902
— Current	—	—	34,761	42,514
Contract assets — fulfilment cost for construction services				
— Current ( <i>note (ii)</i> )	<u>—</u>	<u>5,698</u>	<u>11,837</u>	<u>9,709</u>
Contract liabilities — advances from customers for wastewater treatment operation services				
— Current ( <i>note (iii)</i> )	<u>2,216</u>	<u>9,607</u>	<u>7</u>	<u>—</u>

*Notes:*

- (i) Payment for wastewater treatment construction services is not due from the customer (i.e. as trade receivables) until the construction services are completed. As a result, a contract asset is recognised over the period in which the construction services are performed to represent the entity’s right to consideration for the services transferred to date. Contract assets will be subsequently reclassified as trade receivables after the plant has commenced its operation and the rights to bill the customer has established. Contract assets — receivable under service concession arrangement have increased due to the construction cost incurred for the upgrade and expansion of wastewater facilities for Plant 1, Plant 2 and Plant 4.
- (ii) The Group recognised a contract asset in relation to the fulfilment costs incurred for the construction services which represents advanced payments to subcontractors before the provision of their services. These costs will be amortised over the period in which the construction services are performed, consistent with the pattern of recognition of the wastewater treatment construction services revenue. Contract assets — fulfilment cost for construction services have increased/decreased due to the higher/lower of payment to sub-contractors for the upgrade and expansion of wastewater facilities for Plant 1, Plant 2 and Plant 4.

There were no impairment losses recognised on any contract asset in the Track Record Period.

**APPENDIX I**

**ACCOUNTANT'S REPORT**

- (iii) Revenue relating to wastewater treatment operation services is recognised over time although the customer pays upfront payment for these services. A contract liability is recognised for revenue relating to the wastewater treatment operation services at the time of the up-front payment and is released over the service period. The change in amount is due to higher or lower up-front payment by the Grantor to the Group in 2016, 2017 and for the four months ended 30 April 2018 respectively. Wastewater treatment operation services revenue was and will be recognised during the years ended 31 December 2016, 2017, and year ending 31 December 2018.

*Transaction price allocated to the remaining performance obligation*

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 the Track Record Period:

	As at 31 December			As at
	2015	2016	2017	30 April
	HK\$'000	HK\$'000	HK\$'000	2018
Wastewater treatment construction services	909,063	820,141	674,953	638,002
Wastewater treatment operation services	6,145,110	5,669,164	5,987,490	6,162,894

Management expects that the transaction price allocated to the unsatisfied performance obligation for wastewater treatment construction services as of 31 December 2015, 2016 and 2017 and 30 April 2018 will be recognised as revenue during 2016 to 2020.

The transaction price allocated to the unsatisfied performance obligation for wastewater treatment operation services represents the expected future income generated over the Service Concession Period including future guaranteed receipts and unguaranteed receipts. The amount as of 31 December 2015, 2016 and 2017 and 30 April 2018 will be recognised as revenue over the remaining periods of the Service Concession Period.

**6 Other income**

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	296	429	641	148	347
VAT refund ( <i>note (a)</i> )	1,970	1,795	1,944	284	345
Others	1,094	290	262	78	69
	<u>3,360</u>	<u>2,514</u>	<u>2,847</u>	<u>510</u>	<u>761</u>

- (a) During the six months ended 30 June 2015, the Group was exempted from VAT according to Caishui [2008] No.156. Since 1 July 2015, 70% and 50% of the VAT paid by the Group in relation to the wastewater processing business and the sales of recycle water respectively were refunded according to Caishui [2015] No.78, and the Group was entitled to claim and have claimed from the Grantor the balance of the VAT payment under the TOT agreement. Hence the Group recognised these VAT refunds attributable to intangible assets as other income during the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**7 Other gains/(losses), net**

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
				(Unaudited)	
Net gains on disposal of property, plant and equipment	52	118	7	—	—
Net gains on financial assets at fair value through profit or loss	1,401	1,540	913	675	476
Net foreign exchange gains/(losses)	1,917	(666)	(4,001)	(1,761)	(2,453)
Gain on deregistration of a subsidiary	—	—	—	—	144
Others	(12)	(10)	(2)	(3)	(43)
	<u>3,358</u>	<u>982</u>	<u>(3,083)</u>	<u>(1,089)</u>	<u>(1,876)</u>

**8 Expenses by nature**

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
				(Unaudited)	
Employee benefit expenses ( <i>note 9</i> )					
— Cost of sales	10,861	10,189	8,458	3,429	4,048
— General and administrative expenses	3,961	4,726	5,364	2,262	2,260
Depreciation of property, plant and equipment ( <i>note 15</i> )	773	256	215	67	120
Amortisation of intangible assets ( <i>note 17</i> )	1,874	1,954	2,008	639	864
Construction cost	82,949	29,679	179,317	7,659	55,951
Costs of wastewater treatment operation and recycle water supply operation services					
— Chemical	12,507	22,662	11,796	4,716	7,005
— Utility	17,437	19,080	18,607	6,083	7,969
— Others	7,702	8,168	10,766	3,304	4,557
Legal and professional fee	680	800	56	9	18
Consultancy fee to a related company ( <i>note 30(a)</i> )	635	393	—	—	—
Auditor’s remuneration	260	256	251	144	147
Rental expenses	344	333	339	109	123
Travelling and transportation expenses	1,530	2,416	2,203	533	381
Repair and maintenance costs	2,580	3,142	2,451	969	361
Office expenses	571	505	651	239	203
[REDACTED] expenses	—	—	—	—	8,374
Others	946	809	1,132	314	631
	<u>145,610</u>	<u>105,368</u>	<u>243,614</u>	<u>30,476</u>	<u>93,012</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**9 Employee benefit expenses (including directors' emoluments)**

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
				(Unaudited)	
Wages and salaries	10,267	10,386	10,158	4,346	4,640
Social security expenses	3,005	2,810	2,298	796	948
Other staff benefits and welfare	<u>1,550</u>	<u>1,719</u>	<u>1,366</u>	<u>549</u>	<u>720</u>
	<u>14,822</u>	<u>14,915</u>	<u>13,822</u>	<u>5,691</u>	<u>6,308</u>

These subsidiaries are required to contribute certain percentage of payroll costs as set by local municipal governments to each scheme locally to fund the retirement benefit scheme for the Track Record Period.

(a) Five highest paid individuals:

The five individuals during the Track Record Period whose emoluments were the highest in the Group include Nil, 1, 1, 1 and 1 director for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018 respectively, whose emoluments are reflected in note 10. The emoluments payable to the remaining 5, 4, 4, 4 and 4 individuals for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018 respectively, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
				(Unaudited)	
Wages and salaries	1,146	1,418	1,854	848	945
Social security expenses	<u>261</u>	<u>162</u>	<u>181</u>	<u>57</u>	<u>27</u>
	<u>1,407</u>	<u>1,580</u>	<u>2,035</u>	<u>905</u>	<u>972</u>

The emoluments of the remaining non-directors individuals fell within the following bands:

Emolument bands	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
Nil to HK\$1,000,000	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**10 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)**

*(a) Directors' emoluments*

The emoluments paid or payable to the directors of the Group are as follows:

*Year ended 31 December 2015*

Name	Fees <i>HK\$'000</i>	Salary <i>(note (1)) HK\$'000</i>	Discretionary bonuses <i>(note (2)) HK\$'000</i>	Allowances and benefits in kind <i>HK\$'000</i>	Employer's contribution to a retirement benefit scheme <i>HK\$'000</i>	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking <i>(note (3)) HK\$'000</i>	Total <i>HK\$'000</i>
Chairman, non-executive director Mr. CS Lim <i>(note (3))</i>	—	—	—	—	—	—	—
Executive director Mr. Wong Kok Sun <i>(notes (3) and (4))</i>	—	148	25	211	—	—	384
Total	—	148	25	211	—	—	384

*Year ended 31 December 2016*

Name	Fees <i>HK\$'000</i>	Salary <i>(note (1)) HK\$'000</i>	Discretionary bonuses <i>(note (2)) HK\$'000</i>	Allowances and benefits in kind <i>HK\$'000</i>	Employer's contribution to a retirement benefit scheme <i>HK\$'000</i>	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking <i>(note (3)) HK\$'000</i>	Total <i>HK\$'000</i>
Chairman, non-executive director Mr. CS Lim <i>(note (3))</i>	—	—	—	—	—	—	—
Executive director Mr. Wong Kok Sun <i>(notes (3) and (4))</i>	—	559	—	220	—	—	779
Total	—	559	—	220	—	—	779

**APPENDIX I**

**ACCOUNTANT’S REPORT**

*Year ended 31 December 2017*

Name	Fees <i>HK\$'000</i>	Salary <i>(note (1)) HK\$'000</i>	Discretionary bonuses <i>(note (2)) HK\$'000</i>	Allowances and benefits in kind <i>HK\$'000</i>	Employer's contribution to a retirement benefit scheme <i>HK\$'000</i>	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries <i>(note (3)) HK\$'000</i>	Total <i>HK\$'000</i>
Chairman, non-executive director Mr. CS Lim <i>(note (3))</i>	—	—	—	—	—	—	—
Executive director Mr. Wong Kok Sun <i>(notes (3) and (4))</i>	—	982	164	258	—	—	1,404
<b>Total</b>	<b>—</b>	<b>982</b>	<b>164</b>	<b>258</b>	<b>—</b>	<b>—</b>	<b>1,404</b>

*Four months ended 30 April 2017*

Name	Fees <i>HK\$'000</i> (Unaudited)	Salary <i>(note (1)) HK\$'000</i> (Unaudited)	Discretionary bonuses <i>(note (2)) HK\$'000</i> (Unaudited)	Allowances and benefits in kind <i>HK\$'000</i> (Unaudited)	Employer's contribution to a retirement benefit scheme <i>HK\$'000</i> (Unaudited)	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries <i>(note (3)) HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Chairman, non-executive director Mr. CS Lim <i>(note (3))</i>	—	—	—	—	—	—	—
Executive director Mr. Wong Kok Sun <i>(notes (3) and (4))</i>	—	324	162	83	—	—	569
<b>Total</b>	<b>—</b>	<b>324</b>	<b>162</b>	<b>83</b>	<b>—</b>	<b>—</b>	<b>569</b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

*Four months ended 30 April 2018*

Name	Fees HK\$'000	Salary (note (1)) HK\$'000	Discretionary bonuses (note (2)) HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Other	Total HK\$'000
						emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (note (3)) HK\$'000	
Chairman, non-executive director Mr. CS Lim (note (3))	—	—	—	—	—	—	—
Executive director Mr. Wong Kok Sun (notes (3) and (4))	—	331	166	92	—	—	589
<b>Total</b>	<b>—</b>	<b>331</b>	<b>166</b>	<b>92</b>	<b>—</b>	<b>—</b>	<b>589</b>

*Notes:*

- (1) Salary paid to a director is generally an emolument paid or receivable in respect of that person’s other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.
- (2) Discretionary bonuses are determined based on the financial performance of the Group and the performance of each individual.
- (3) During the Track Record Period, Mr. CS Lim and Mr. Wong Kok Sun received emoluments from TCB, part of which is in respect of their services to the Group. No apportionment of such emoluments has been made as it is considered that it is impracticable to apportion the amounts between the services to the Group and the services to the ultimate holding company.
- (4) During the Track Record Period, the payments made to Mr. Wong Kok Sun were paid in respect to his capacity as chief executive officer. He is appointed as executive director of the Company on 11 May 2018.

**(b) Directors’ retirement and termination benefits**

None of the directors received or will receive any retirement benefits or termination benefits during the Track Record Period.

**(c) Consideration provided to third parties for making available directors’ services**

The Group did not pay consideration to any third parties for making available directors’ services during the Track Record Period.

**(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

Save as disclosed in note 30 in the Historical Financial Information, there are no loans, quasi-loans and other dealings in favour of directors, controlled body corporate by and connected entities with such directors during the Track Record Period.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

(e) *Directors’ material interests in transactions, arrangements or contracts*

Save as disclosed in note 30, no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

**11 Finance costs**

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Interest expenses on borrowings	50,169	42,024	41,299	13,083	14,638
Interest expenses on loans from TCB and LGB (HK) (note 30(a))	<u>806</u>	<u>809</u>	<u>809</u>	<u>266</u>	<u>268</u>
	50,975	42,833	42,108	13,349	14,906
Less: interest expenses capitalised as intangible assets	<u>(140)</u>	<u>(15)</u>	<u>(136)</u>	<u>(44)</u>	<u>(22)</u>
Finance costs	<u><u>50,835</u></u>	<u><u>42,818</u></u>	<u><u>41,972</u></u>	<u><u>13,305</u></u>	<u><u>14,884</u></u>

Finance costs have been capitalised at average interest rate of 7.01%, 5.64%, 5.64%, 5.64% and 5.64% per annum for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018 respectively.

**12 Income tax expense**

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Deferred income tax (note 26)	<u>15,741</u>	<u>17,174</u>	<u>21,659</u>	<u>5,672</u>	<u>9,974</u>

Hong Kong profits tax has not been provided as the Group had no estimated assessable profit for the Track Record Period.

Taxation on Mainland China profits has been calculated on the estimated taxable profits at the rate of 25%.

According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The taxation on the Group’s profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits/losses of the group entities as follows:

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$’000	2016 HK\$’000	2017 HK\$’000	2017 HK\$’000 (Unaudited)	2018 HK\$’000
Profit before income tax	<u>60,794</u>	<u>62,729</u>	<u>80,559</u>	<u>19,456</u>	<u>29,362</u>
Taxation at an applicable rate of 25%	15,199	15,682	20,140	4,864	7,341
Difference arising from different tax jurisdiction	(94)	153	525	221	258
Incomes not subject to income tax	(266)	(57)	(1)	—	(225)
Expenses not deductible for tax purposes	399	642	990	513	2,600
Tax losses not recognised	530	754	43	74	—
Others	<u>(27)</u>	<u>—</u>	<u>(38)</u>	<u>—</u>	<u>—</u>
Income tax expense	<u>15,741</u>	<u>17,174</u>	<u>21,659</u>	<u>5,672</u>	<u>9,974</u>

**13 Earnings per share**

No earnings per share information is presented as its inclusion, for the purpose of this Historical Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018 on a combined basis as disclosed in note 1.3 above.

**14 Dividends**

No dividend has been paid or declared by the Company since its incorporation.

**15 Property, plant and equipment**

	Furniture, fixture and equipment HK\$’000	Motor vehicles HK\$’000	Computer equipment HK\$’000	Total HK\$’000
<b>Net book value</b>				
At 1 January 2015	1,103	874	36	2,013
Additions	11	—	4	15
Depreciation	(659)	(100)	(14)	(773)
Disposals	(1)	—	—	(1)
Currency translation differences	<u>(25)</u>	<u>(37)</u>	<u>(1)</u>	<u>(63)</u>
At 1 January 2016	429	737	25	1,191
Additions	209	—	31	240
Depreciation	(173)	(74)	(9)	(256)
Disposals	(1)	—	(7)	(8)
Currency translation differences	<u>(32)</u>	<u>(44)</u>	<u>(2)</u>	<u>(78)</u>
At 1 January 2017	432	619	38	1,089
Additions	730	—	6	736
Depreciation	(128)	(75)	(12)	(215)
Disposals	(1)	—	—	(1)
Currency translation differences	<u>46</u>	<u>43</u>	<u>2</u>	<u>91</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

	<b>Furniture, fixture and equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Computer equipment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2018	1,079	587	34	1,700
Additions	66	—	—	66
Depreciation	(89)	(26)	(5)	(120)
Disposal of subsidiaries	(13)	(26)	(3)	(42)
Currency translation differences	39	21	2	62
	<u>1,082</u>	<u>556</u>	<u>28</u>	<u>1,666</u>
At 30 April 2018	<u>1,082</u>	<u>556</u>	<u>28</u>	<u>1,666</u>
At 1 January 2015				
Cost	2,788	1,609	295	4,692
Accumulated depreciation	(1,685)	(735)	(259)	(2,679)
Net book value	<u>1,103</u>	<u>874</u>	<u>36</u>	<u>2,013</u>
At 31 December 2015				
Cost	2,863	1,537	286	4,686
Accumulated depreciation	(2,434)	(800)	(261)	(3,495)
Net book value	<u>429</u>	<u>737</u>	<u>25</u>	<u>1,191</u>
Cost	2,874	1,439	229	4,542
Accumulated depreciation	(2,442)	(820)	(191)	(3,453)
Net book value	<u>432</u>	<u>619</u>	<u>38</u>	<u>1,089</u>
At 31 December 2017				
Cost	3,810	1,540	251	5,601
Accumulated depreciation	(2,731)	(953)	(217)	(3,901)
Net book value	<u>1,079</u>	<u>587</u>	<u>34</u>	<u>1,700</u>
At 30 April 2018				
Cost	3,745	1,072	165	4,982
Accumulated depreciation	(2,663)	(516)	(137)	(3,316)
Net book value	<u>1,082</u>	<u>556</u>	<u>28</u>	<u>1,666</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

Depreciation was charged to cost of sales and general and administrative expenses during the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018 as below:

	Year ended 31 December			Four months ended 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Cost of sales	609	173	188	54	115
General and administrative expense	<u>164</u>	<u>83</u>	<u>27</u>	<u>13</u>	<u>5</u>
Depreciation of property, plant and equipment	<u>773</u>	<u>256</u>	<u>215</u>	<u>67</u>	<u>120</u>

**16 Receivable under service concession arrangement**

The Group has entered into a service concession arrangement with a government authority in the PRC under a TOT model in respect of its wastewater treatment services based on the TOT Agreement dated September 2011 (the “**Service Concession Agreement**”). This service concession arrangement involves the Group as an operator (i) paying a specific amount for the wastewater treatment plants (collectively, the “**Facilities**”) for an arrangement under a TOT model; and (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authority for 30 years from 21 September 2011, and the Group will be paid for its services over the Service Concession Period at prices stipulated through a pricing mechanism as defined in the Service Concession Agreement.

The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authority as the Grantor will control and regulate the scope of service that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the Service Concession Period.

The service concession arrangement is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, and specific obligations levied on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Period and arrangements for arbitrating disputes.

As further explained in the accounting policy for “Service concession arrangement” set out in note 2.7 to the Historical Financial Information, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (service concession) or a financial asset (receivable under service concession arrangement) or a combination of both, as appropriate.

The service concession arrangement with the government authority is recognised as a combination of financial asset and intangible asset since the project had an unconditional contractual right to receive cash from the government authority based on the guaranteed wastewater treatment volume, and a right to charge the government authority on the additional wastewater treatment volume.

The following is the summarised information of the financial asset component (receivable under service concession arrangement) with respect to the Group’s service concession arrangement:

	As at 31 December			As at
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	30 April 2018 HK\$'000
Receivable under service concession arrangement				
— Current	114,686	236,388	251,359	274,401
— Non-current	<u>1,111,732</u>	<u>986,953</u>	<u>1,153,512</u>	<u>1,221,986</u>
	<u>1,226,418</u>	<u>1,223,341</u>	<u>1,404,871</u>	<u>1,496,387</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The collection of receivables under the service concession arrangement is closely monitored in order to minimise any credit risk associated with the receivables.

The receivables under the service arrangement are future billable receivables. They were mainly due from a governmental authority in the PRC, as the Grantor in respect of the Group’s service concession arrangement. All of these financial assets are considered to have low credit risk as they have a low risk of default and the counterparty has strong capability to meet its contractual cash flow obligations in the near term. Therefore, impairment provision was limited to twelve months expected losses and estimated to be minimal.

**17 Intangible assets**

	<b>Service concession right HK\$’000</b>	<b>Computer softwares HK\$’000</b>	<b>Total HK\$’000</b>
<b>Net book value</b>			
At 1 January 2015	50,614	10	50,624
Additions	4,818	—	4,818
Amortisation	(1,869)	(5)	(1,874)
Currency translation differences	<u>(2,372)</u>	<u>—</u>	<u>(2,372)</u>
At 1 January 2016	51,191	5	51,196
Additions	1,688	—	1,688
Amortisation	(1,950)	(4)	(1,954)
Currency translation differences	<u>(3,248)</u>	<u>—</u>	<u>(3,248)</u>
At 1 January 2017	47,681	1	47,682
Additions	10,247	—	10,247
Amortisation	(2,008)	—	(2,008)
Currency translation differences	<u>3,575</u>	<u>—</u>	<u>3,575</u>
At 1 January 2018	59,495	1	59,496
Additions	3,155	—	3,155
Amortisation	(863)	(1)	(864)
Currency translation differences	<u>2,123</u>	<u>—</u>	<u>2,123</u>
At 30 April 2018	<u>63,910</u>	<u>—</u>	<u>63,910</u>
At 1 January 2015			
Cost	55,859	23	55,882
Accumulated amortisation	<u>(5,245)</u>	<u>(13)</u>	<u>(5,258)</u>
Net book value	<u>50,614</u>	<u>10</u>	<u>50,624</u>
At 31 December 2015			
Cost	58,013	22	58,035
Accumulated amortisation	<u>(6,822)</u>	<u>(17)</u>	<u>(6,839)</u>
Net book value	<u>51,191</u>	<u>5</u>	<u>51,196</u>
At 31 December 2016			
Cost	55,932	20	55,952
Accumulated amortisation	<u>(8,251)</u>	<u>(19)</u>	<u>(8,270)</u>
Net book value	<u>47,681</u>	<u>1</u>	<u>47,682</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

	<b>Service concession right HK\$’000</b>	<b>Computer softwares HK\$’000</b>	<b>Total HK\$’000</b>
At 31 December 2017			
Cost	70,385	22	70,407
Accumulated amortisation	<u>(10,890)</u>	<u>(21)</u>	<u>(10,911)</u>
Net book value	<u>59,495</u>	<u>1</u>	<u>59,496</u>
At 30 April 2018			
Cost	76,205	23	76,228
Accumulated amortisation	<u>(12,295)</u>	<u>(23)</u>	<u>(12,318)</u>
Net book value	<u>63,910</u>	<u>—</u>	<u>63,910</u>

Amortisation was charged to cost of sales during the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018.

The intangible assets not yet available for use (“IA not in use”) of the Group represents the intangible assets recognised during but before the completion of upgrading and expansion phase of the wastewater treatment plants. During the upgrading and expansion phase of the wastewater treatment plants, intangible asset is recognised to the extent that the right to charge users or local governments is depended upon the usage or amount of services rendered, which is not an unconditional right to receive cash. The Group is entitled to an increment in the wastewater treatment service fees by upward revisions in the tariff and basic volume for the calculation of the wastewater treatment service fees upon completion of the upgrade and expansion. Therefore, intangible assets recognised during the upgrading and expansion phase are not yet available for use until the completion.

**Impairment tests of IA not in use**

The Group carries out its impairment review on IA not in use by comparing the recoverable amounts to the carrying amounts as of the end of each reporting period or when there is impairment indicator. The recoverable amount was determined based on fair value less costs of disposals calculations. These calculations used post-tax cash flow projections based on financial budgets approved by management covering the Service Concession Period. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industry and provided forecast based on past performance and their expectation of future business plans and market developments.

The Group reviews the individual IA not in use based on different wastewater treatment plants which the assets belong to. The following is a summary of aggregated IA not in use as of the end of each reporting period:

	<b>31 December 2015 HK\$’000</b>	<b>31 December 2016 HK\$’000</b>	<b>31 December 2017 HK\$’000</b>	<b>30 April 2018 HK\$’000</b>
IA not in use	<u>62</u>	<u>1,618</u>	<u>5,974</u>	<u>5,408</u>

Impairment review on the IA not in use of the Group has been conducted by the management as at 31 December 2015, 2016 and 2017 and 30 April 2018, according to HKAS 36 “Impairment of Assets”. For the purposes of impairment review, the recoverable amount is determined based on fair value less costs of disposals calculations, which is included in level 3 fair value hierarchy inputs. The calculations use cash flow projections based on business plan for the purpose of impairment reviews covering the Service Concession Period.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The key assumptions used in calculating recoverable amount of IA not in use are as follows:

	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>30 April 2018</b>
Annual tariff growth rate	1.5%	1.5%	1.5%	1.5%
Post-tax discount rate	8.9%	9.0%	10.2%	9.87%

Recoverable amounts of IA not in use were determined by the management based on past performance and adjusted for its expectation for market development. The expected annual tariff growth rates adopted for the recoverable amount determination is consistent with the business plan of the Group. Post-tax discount rates reflect market assessments of the time values and the specific risks relating to the asset.

No impairment is considered necessary based on the impairment tests as of 31 December 2015, 2016, 2017 and 30 April 2018.

The recoverable amounts of the IA not in use are shown as below:

	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>30 April 2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Recoverable amount	126	3,615	10,624	6,597

The headroom of the IA not in use are shown as below:

	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>30 April 2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Headroom	64	1,997	4,650	1,189

The Group performs sensitivity analysis based on the assumption that annual revenue growth rate or the discount rates have been changed. Had the estimated key assumptions during the forecast period been changed by reasonable possible changes as below, the headroom would be decreased by as below:

	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>30 April 2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue growth rate decrease by 0.5%	64	1,085	4,192	258
Discount rate increases by 0.5%	14	226	2,912	265

Reasonable possible changes in key assumptions would not lead to impairment as of 31 December 2015, 2016 and 2017 and 30 April 2018.

**18 Inventories**

	<b>As at 31 December</b>			<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Consumables — chemicals	<u>440</u>	<u>269</u>	<u>364</u>	<u>370</u>

No provision was made by the Group on inventories during the Track Record Period.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The cost of inventories recognised as expenses and included in cost of sales amounted to approximately HK\$12,507,000, HK\$22,662,000, HK\$11,796,000, HK\$4,716,000 and HK\$7,005,000 for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018 respectively.

**19 Trade and other receivables**

	As at 31 December			As at 30 April	As at 30 April
	2015	2016	2017	2018	2018
	Group			Company	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	816	902	17,168	56,994	—
Other receivables	2,427	1,891	5,305	5,445	—
Prepayment	2,305	2,470	1,816	4,968	2,413
Fulfilment cost for construction services	—	5,698	11,837	9,709	—
	<u>5,548</u>	<u>10,961</u>	<u>36,126</u>	<u>77,116</u>	<u>2,413</u>

*Expected credit losses*

The Group determines the provision for expected credit losses by grouping together trade and other receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade and other receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The expected credit loss is minimal as the majority of the trade and other receivables are due from governmental authorities in the PRC which has no recent history of default.

In general, the Group grants credit periods of within 5-20 days to its customers. Aging analysis of gross trade receivables at the respective reporting dates, based on the invoice dates are as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0–30 days	816	504	17,147	23,619
31–60 days	—	392	19	24,582
61–90 days	—	5	—	8,791
Over 90 days	—	1	2	2
	<u>816</u>	<u>902</u>	<u>17,168</u>	<u>56,994</u>

The trade and other receivables are measured at amortised cost. The carrying amount of trade and other receivables approximates their fair values and are mainly denominated in RMB.

The maximum exposure to credit risk at each reporting date is the carrying value of trade and other receivables.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**20 Cash and bank balances**

	As at 31 December		As at 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Non-current				
Restricted bank balances ( <i>note (i)</i> )	4,776	4,472	4,785	4,957
Current				
Restricted bank balances ( <i>note (ii)</i> )	—	—	6,580	6,816
Cash and cash equivalents	<u>37,972</u>	<u>80,214</u>	<u>130,141</u>	<u>199,745</u>
	<u>42,748</u>	<u>84,686</u>	<u>141,506</u>	<u>211,518</u>

The cash and bank balances are denominated in RMB, US\$, HK\$ and Singapore dollars.

The conversion of RMB denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

*Note (i):* Amount represented bank balances held at bank for guarantee for service concession arrangement. Such bank balances will be released after the expiry of the service concession arrangement.

*Note (ii):* Amount represented the restricted bank balances for note payables (note 24).

**21 Share capital**

***The Group***

Combined capital during the Track Record Period represents the combined share capital of the Company and TIL.

***The Company***

	Number of ordinary shares	Share capital HK\$'000
<b>Authorised:</b>		
At the date of incorporation and 30 April 2018 (HK\$0.01 per share)	<u>38,000,000</u>	<u>380</u>
<b>Issued and fully paid:</b>		
At the date of incorporation and 30 April 2018 (HK\$0.01 per share)	<u>1</u>	<u>—</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**22 Reserves**

	Exchange reserves HK\$'000	Capital reserve HK\$'000	Total HK\$'000
At 1 January 2015	14,448	—	14,448
Currency translation differences	<u>(26,661)</u>	<u>—</u>	<u>(26,661)</u>
At 31 December 2015	(12,213)	—	(12,213)
Currency translation differences	<u>(38,051)</u>	<u>—</u>	<u>(38,051)</u>
At 31 December 2016	(50,264)	—	(50,264)
Currency translation differences	<u>42,494</u>	<u>—</u>	<u>42,494</u>
At 1 January 2018	(7,770)	—	(7,770)
Currency translation differences	27,080	—	27,080
Deregistration of a subsidiary	(144)	—	(144)
Disposal of subsidiaries ( <i>Note 32</i> )	<u>(1,291)</u>	<u>30,506</u>	<u>29,215</u>
At 30 April 2018	<u><u>17,875</u></u>	<u><u>30,506</u></u>	<u><u>48,381</u></u>

**23 Borrowings**

	As at 31 December		As at 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Non-current				
Long-term borrowings — secured	700,645	673,939	700,356	743,124
Current				
Current portion of long-term borrowings — secured	17,479	26,640	48,960	50,750
Short-term borrowings — unsecured	<u>16,716</u>	<u>13,974</u>	<u>19,141</u>	<u>5,787</u>
	<u><u>734,840</u></u>	<u><u>714,553</u></u>	<u><u>768,457</u></u>	<u><u>799,661</u></u>

The effective annual interest rates at each of the reporting dates are as follows:

	As at 31 December		As at 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Short-term borrowings	5.58%–7.03%	5.00%–6.44%	5.00%	5.00%
Long-term borrowings	5.49%–7.21%	5.39%–6.49%	5.39%–5.90%	5.39%–5.90%

The Group’s bank borrowings were repayable as follows:

	As at 31 December		As at 30 April	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Within 1 year	34,195	40,614	68,101	56,537
Between 1 and 2 years	28,114	45,116	58,431	60,671
Between 2 and 5 years	160,580	185,389	230,982	242,580
Over 5 years	<u>511,951</u>	<u>443,434</u>	<u>410,943</u>	<u>439,873</u>
	<u><u>734,840</u></u>	<u><u>714,553</u></u>	<u><u>768,457</u></u>	<u><u>799,661</u></u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The Group’s long-term borrowings as at 31 December 2015, 2016 and 2017, and 30 April 2018 were secured by contractual rights to receive revenue generated by the Group and the land use right granted by the government in relation to parcel of land of which the wastewater treatment plants are situated. All bank borrowings are measured at amortised cost. The balances approximate their fair values and are denominated in RMB.

**24 Trade and other payables**

	As at 31 December			As at	As at
	2015	2016	2017	30 April 2018	30 April 2018
	Group			Company	
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Trade payables	30,763	31,750	89,838	84,678	—
Advances from customers	3,603	20,182	12	—	—
Retention payables	6,733	6,443	8,608	3,241	—
Note payables	—	—	6,580	6,816	—
Other payables and accruals	32,445	27,586	29,024	18,902	8,609
	<u>73,544</u>	<u>85,961</u>	<u>134,062</u>	<u>113,637</u>	<u>8,609</u>

The carrying amounts of trade and other payables approximated their fair values as at 31 December 2015, 2016 and 2017 and 30 April 2018 and are denominated in RMB and HK\$.

The aging analysis of trade payables based on invoices dates is as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
0–30 days	13,449	4,422	26,364	26,198
31–60 days	1,671	4,090	39,257	1,794
61–90 days	1,637	1,806	2,226	—
Over 90 days	14,006	21,432	21,991	56,686
	<u>30,763</u>	<u>31,750</u>	<u>89,838</u>	<u>84,678</u>

**25 Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are unlisted debt instrument denominated in RMB. The unlisted debt instrument mainly represents principal-protected investment which has minimal risk. The balances carry expected return of 2.1% to 3.6% per annum and have no fixed maturity, except for the amount of approximately HK\$35,889,000 as of 31 December 2017 which has expected annual return of 1.0% to 3.7% and has matured during the four months ended 30 April 2018.

Financial assets at fair value through profit or loss are presented within “investing activities” as part of cash flow from investing activities in the combined statement of cash flows. Changes in fair values of financial assets at fair value through profit or loss are recorded in “Other gains/(losses), net” in the combined income statements.

**26 Deferred tax assets/liabilities**

Deferred tax assets and liabilities are calculated on temporary differences under the liability method using applicable taxation rates in the tax jurisdictions of the relevant entities.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The movements in deferred tax assets and liabilities during the year, without taking into accounts for the offsetting of the balances within the same tax jurisdiction, are as follows:

(a) *Deferred tax assets*

	<b>Tax losses</b> <i>HK\$’000</i>
At 1 January 2015	26,383
Credited to profit or loss	1,197
Currency translation differences	<u>(1,229)</u>
At 31 December 2015	26,351
Charged to profit or loss	(3,793)
Currency translation differences	<u>(1,519)</u>
At 31 December 2016	21,039
Charged to profit or loss	(9,007)
Currency translation differences	<u>1,227</u>
At 31 December 2017	13,259
Charged to profit or loss	(9,367)
Currency translation differences	<u>530</u>
At 30 April 2018	<u><u>4,422</u></u>

(b) *Deferred tax liabilities*

	<b>Temporary differences on assets recognised under HK(IFRIC) — Int 12</b> <i>HK\$’000</i>
At 1 January 2015	63,207
Charged to profit or loss	16,938
Currency translation differences	<u>(3,381)</u>
At 31 December 2015	76,764
Charged to profit or loss	13,381
Currency translation differences	<u>(5,457)</u>
At 31 December 2016	84,688
Charged to profit or loss	12,652
Currency translation differences	<u>6,290</u>
At 31 December 2017	103,630
Charged to profit or loss	607
Currency translation differences	<u>3,718</u>
At 30 April 2018	<u><u>107,955</u></u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

	As at 31 December		As at 30 April	
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets				
— Recoverable more than twelve months	3,793	9,007	—	—
— Recoverable within twelve months	<u>22,558</u>	<u>12,032</u>	<u>13,259</u>	<u>4,422</u>
	<u>26,351</u>	<u>21,039</u>	<u>13,259</u>	<u>4,422</u>
Deferred tax liabilities				
— Payable or settle more than twelve months	<u>76,764</u>	<u>84,688</u>	<u>103,630</u>	<u>107,955</u>
Deferred tax assets	26,351	21,039	13,259	4,422
Deferred tax liabilities	<u>(76,764)</u>	<u>(84,688)</u>	<u>(103,630)</u>	<u>(107,955)</u>
Net deferred tax liabilities	<u>(50,413)</u>	<u>(63,649)</u>	<u>(90,371)</u>	<u>(103,533)</u>

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the estimated tax impact to the Group due to unrecognised tax losses was approximately HK\$15,985,000, HK\$16,097,000, HK\$16,303,000 and HK\$7,683,000.

	As at 31 December		As at 30 April	
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
With no expiry date	2,985	3,144	4,601	5,789
Expiring no later than one year	—	1,965	438	384
Expiring later than one year and no later than five years	<u>13,000</u>	<u>10,988</u>	<u>11,264</u>	<u>1,510</u>
	<u>15,985</u>	<u>16,097</u>	<u>16,303</u>	<u>7,683</u>

As at 31 December 2015, 2016 and 2017 and 30 April 2018, there were unrecognised deferred tax liabilities associated with undistributed earnings in a subsidiary and the total undistributed earnings are approximately HK\$151,807,000, HK\$202,063,000, HK\$267,039,000 and HK\$296,961,000 respectively, as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**27 Material non-controlling interests**

The subsidiary with a material non-controlling interests is TECO. TECO and its subsidiary held an other non-current asset, and remained inactive throughout the Track Record Period. The other non-current asset represents the cost incurred for the construction of a wastewater treatment plant of TECO’s subsidiary that is not viable. The plant was transferred back to the PRC government and the cost incurred would be recoverable from the government.

*Summarised financial information on subsidiary with material non-controlling interests*

*Summarised statements of financial position*

	As at 31 December		
	2015	2016	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Total assets	47,624	44,575	47,907
Total liabilities	<u>(87,925)</u>	<u>(86,724)</u>	<u>(90,738)</u>
	<u>(40,301)</u>	<u>(42,149)</u>	<u>(42,831)</u>

*Summarised income statements*

	As at 31 December		
	2015	2016	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Loss after tax	(1,804)	(2,200)	(52)
Other comprehensive income	<u>(560)</u>	<u>463</u>	<u>(803)</u>

*Summarised statements of cash flows*

	As at 31 December		
	2015	2016	2017
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Net (decrease)/increase in cash and cash equivalents	<u>(11)</u>	<u>42</u>	<u>12</u>

The information above represents the amount before inter-company eliminations.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**28 Notes to combined statements of cash flows**

*(a) Reconciliation of profit before income tax to cash generated from operations*

	Year ended 31 December			Four months ended 30	
	2015	2016	2017	April	
	HK\$'000	HK\$'000	HK\$'000	2017	2018
				HK\$'000	HK\$'000
				(Unaudited)	
Profit before income tax	60,794	62,729	80,559	19,456	29,362
Adjustments for:					
Depreciation and amortisation	2,647	2,210	2,223	706	984
Finance income	(296)	(429)	(641)	(148)	(347)
Finance costs	50,975	42,833	42,108	13,349	14,906
Profit from wastewater treatment construction services	(8,295)	(2,968)	(17,932)	(766)	(5,595)
Fair value gain on the financial assets at fair value through profit or loss	(1,401)	(1,540)	(913)	(675)	(476)
Net gain on disposal of property, plant and equipment	(52)	(118)	(7)	—	—
Gain on deregistration of a subsidiary	—	—	—	—	(144)
Unrealised exchange differences	(904)	409	2,943	1,761	2,453
Operating profit before working capital changes	103,468	103,126	108,340	33,683	41,143
(Increase)/decrease in inventories	(211)	171	(95)	(2)	6
Decrease/(increase) in trade and other receivables	16,723	(4,214)	(24,488)	(50,733)	(44,096)
(Increase)/decrease in receivable under service concession arrangement	(96,533)	(77,120)	(85,474)	28,268	(38,859)
(Increase)/decrease in amounts due from fellow subsidiaries	(3,990)	476	(2,650)	604	7,754
Increase in restricted bank balances	—	—	(6,580)	—	—
Increase/(decrease) in trade and other payables	30,022	18,989	45,292	(12,219)	(1,344)
(Decrease)/increase in balances with other related companies	(4)	6	133	128	(146)
(Decrease)/increase in amount due to a fellow subsidiary	(829)	(388)	1,231	—	—
Cash generated from/(used in) operations	<u>48,646</u>	<u>41,046</u>	<u>35,709</u>	<u>(271)</u>	<u>(35,542)</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**(b) Reconciliation of liabilities arising from financing activities**

This section sets out an analysis of liabilities arising from financing activities and the movements for each of the years/periods presented.

	Amount due to TCB <i>HK\$'000</i>	Amount due to LGB (HK) <i>HK\$'000</i>	Short-term borrowings <i>HK\$'000</i>	Long-term borrowings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	533,355	—	22,509	686,801	1,242,665
Cash flows	3,150	—	(4,928)	64,349	62,571
Unrealised exchange differences	(2,023)	—	—	—	(2,023)
Currency translation differences	—	—	(865)	(33,026)	(33,891)
At 1 January 2016	534,482	—	16,716	718,124	1,269,322
Cash flows	—	856	(1,751)	29,469	28,574
Assignment of debts ( <i>note 30(c)</i> )	(534,482)	534,482	—	—	—
Unrealised exchange differences	—	(177)	—	—	(177)
Currency translation differences	—	—	(991)	(47,014)	(48,005)
At 1 January 2017	—	535,161	13,974	700,579	1,249,714
Cash flows	—	55,397	4,074	(384)	59,087
Unrealised exchange differences	—	5,181	—	—	5,181
Currency translation differences	—	—	1,093	49,122	50,215
At 1 January 2018	—	595,739	19,141	749,317	1,364,197
Cash flows	—	59,138	(14,122)	17,749	62,765
Assignment of debts ( <i>note 32</i> )	—	(55,283)	—	—	(55,283)
Disposal of subsidiaries ( <i>note 32</i> )	—	(160)	—	—	(160)
Unrealised exchange differences	—	2,850	—	—	2,850
Currency translation differences	—	—	768	26,808	27,576
At 30 April 2018	<u>—</u>	<u>602,284</u>	<u>5,787</u>	<u>793,874</u>	<u>1,401,945</u>
<b>Unaudited</b>					
At 1 January 2017	—	535,161	13,974	700,579	1,249,714
Cash flows	—	263	3,190	—	3,453
Unrealised exchange differences	—	1,805	—	—	1,805
Currency translation differences	—	—	140	6,830	6,970
At 30 April 2017	<u>—</u>	<u>537,229</u>	<u>17,304</u>	<u>707,409</u>	<u>1,261,942</u>

**29 Commitments**

**(a) Capital commitments**

As at 31 December 2015, 2016 and 2017, and 30 April 2018, the Group has the following capital commitments in respect of upgrade and expansion of the wastewater treatment plants under development:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	<u>76,047</u>	<u>18,229</u>	<u>200,530</u>	<u>193,992</u>

The above commitments are in relation to service concession arrangement which will be classified as receivable under service concession arrangement or intangible asset.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

(b) *Lease commitments*

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Within one year	762	837	717	1,209
One to two years	—	122	30	317
	<u>762</u>	<u>959</u>	<u>747</u>	<u>1,526</u>

**30 Related party transactions**

Except as disclosed elsewhere in the Historical Financial Information, management is of the view that the following entities/persons are related parties of the Company and had transactions with the Group during the Track Record Period.

Name	Relationship
Taliworks Corporation Berhad	Immediate holding company prior to May 2016, and a related company since then
LGB (Malaysia) Sdn. Bhd.	Ultimate holding company
LGB Group (HK) Limited	Intermediate holding company since May 2016
Tianjin-SWM (M) Environment Ltd, Co.	Fellow subsidiary
Taliworks (Sichuan) Limited	Fellow subsidiary

These entities are controlled by the Controlling Shareholders throughout the Track Record Period.

- (a) In addition to the transactions and balances disclosed elsewhere in these combined Historical Financial Information, the Group had the following material related party transactions:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Management fees income from Tianjin-SWM (M) Environment Ltd., Co. ( <i>note</i> )	1,091	1,074	1,112	359	750
Interest expenses to TCB	806	372	—	—	—
Interest expenses to LGB (HK)	—	437	809	266	268
Consultancy fee expenses to TCB	<u>635</u>	<u>393</u>	<u>—</u>	<u>—</u>	<u>—</u>

Management fees, interest expenses and consultancy fee are charged in accordance with the terms of respective agreements.

*Note:* Management fees income has ceased before [REDACTED].

- (b) Amounts due from/to fellow subsidiaries/related companies

The balances below are measured at amortised cost, unsecured, interest free, and have no fixed terms of repayment. The amounts due from/(to) fellow subsidiaries, being non-trade in nature, will be settled before [REDACTED].

**APPENDIX I**

**ACCOUNTANT’S REPORT**

*Amounts due from fellow subsidiaries*

The balances below represent the maximum balances during the Track Record Period.

<b>Currency</b>	<b>As at 31 December</b>			<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	12,869	11,893	15,862	18,906
Hong Kong dollars	<u>2,100</u>	<u>2,100</u>	<u>2,100</u>	<u>2,135</u>
Total	<u>14,969</u>	<u>13,993</u>	<u>17,962</u>	<u>21,041</u>

*Amount due to a fellow subsidiary*

<b>Currency</b>	<b>As at 31 December</b>			<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	<u>4,771</u>	<u>4,467</u>	<u>4,780</u>	<u>—</u>

*Amounts due to related companies*

<b>Currency</b>	<b>As at 31 December</b>			<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	<u>6</u>	<u>13</u>	<u>146</u>	<u>—</u>

(c) Amounts due to TCB/LGB (HK)

On 17 May 2016, LGB (HK) as purchaser and TCB, as vendor entered into a sales and purchase agreement, pursuant to which TCB agreed to sell, and LGB (HK) agreed to purchase, the entire equity interest in TIL. Pursuant to the transaction, all the outstanding balances by TIL to TCB was assigned to LGB (HK).

The balances are measured at amortised cost, unsecured and have no fixed terms of repayment. Except for the amount of US\$1,600,000 (approximately HK\$12,402,000), US\$1,600,000 (approximately HK\$12,410,000), US\$1,600,000 (approximately HK\$12,502,000) and US\$1,600,000 (approximately HK\$12,557,000) carrying interest at 6.5% per annum as of 31 December 2015, 2016 and 2017, and 30 April 2018 respectively, the remaining balance is interest-free.

Pursuant to the agreement dated 28 September 2018, the entire balances, being non-trade in nature have been capitalised.

<b>Currency</b>	<b>As at 31 December</b>			<b>As at 30 April</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States dollars	507,612	508,752	564,358	578,370
Hong Kong dollars	13,339	13,339	13,339	13,339
Renminbi	3,769	2,747	6,650	2,899
Malaysian Ringgit	3,506	4,320	4,716	6,929
Singapore dollars	<u>6,256</u>	<u>6,003</u>	<u>6,676</u>	<u>747</u>
Total	<u>534,482</u>	<u>535,161</u>	<u>595,739</u>	<u>602,284</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

(d) Amounts due to subsidiaries

The balances below are measured at amortised cost, unsecured, interest free, and have no fixed terms of repayment.

	<b>As at</b>
	<b>30 April 2018</b>
	<b>Company</b>
	<i>HK\$’000</i>
Hong Kong dollars	<u>2,178</u>

**31 Movement of accumulated losses of the Company**

	<b>Four months</b>
	<b>ended 30 April</b>
	<b>2018</b>
	<i>HK\$’000</i>
At 17 April 2018 (date of incorporation)	—
Loss for the period	<u>(8,374)</u>
At 30 April 2018	<u>(8,374)</u>

**32 Disposal of subsidiaries**

TIL (as vendor) and LGB (HK), intermediate holding company, (as purchaser) entered into a sale and purchase agreement pursuant to which, TIL agreed to sell and LGB (HK) agreed to purchase 70% equity interest held by TIL in Taliworks Eco Pte Ltd (“TECO”). As consideration, LGB (HK) agreed to pay TIL SG\$1 as cash consideration (which was determined by the parties with reference to the net loss position of TECO); and assume absolutely and unconditionally all liabilities of TECO owed to TIL of approximately HK\$55,283,000 by entering into a deed of novation on the same day with TIL and TECO. The transactions were properly and legally completed and settled on 11 April 2018, resulting in increase of equity by HK\$30,506,000, which is accounted as a capital contribution with a capital reserve recognised in equity of the Group.

The details of the transaction are as follows:

	<i>HK\$’000</i>
Property, plant and equipment	42
Other non-current assets	48,259
Cash and cash equivalents	76
Trade and other receivables	4,174
Trade and other payables	(24,040)
Amounts due to fellow subsidiaries	(14,804)
Amount due to TIL	(55,283)
Amount due to LGB (HK)	<u>(160)</u>
Net liabilities	(41,736)
Add: non-controlling interests	12,521
Less: exchange reserve	<u>(1,291)</u>
Capital reserve	<u>(30,506)</u>
Sales proceeds — cash received	—
Less: cash and cash equivalent of subsidiaries disposed of	<u>(76)</u>
Net cash outflow on disposal of subsidiaries	<u>(76)</u>

## APPENDIX I

## ACCOUNTANT'S REPORT

### 33 Subsequent events

The following events occurred subsequent to 30 April 2018 and up to the date of this report:

- (a) Subsequent to 30 April 2018, the Group underwent a reorganisation in preparation for the [REDACTED]. Details of the Reorganisation are set out in note 1 above.
- (b) On 28 September 2018, LGB (HK), Sparkle Century and the Company entered into a deed of loan assignment pursuant to which LGB (HK) assigned the loan due from our Company to LGB (HK) ("**LGB HK Shareholder Loan**") to Sparkle Century, in consideration of Sparkle Century undertaking to repay a sum with the same amount and under the same terms as the above LGB HK Shareholder Loan to LGB (HK). After execution of the loan assignment, the Company was indebted to Sparkle Century for the sum of approximately HK\$591.0 million, while Sparkle Century was indebted to LGB (HK) for the sum of approximately HK\$591.0 million. On the same day, Sparkle Century capitalised the shareholder's loan owed by the Company to it of HK\$591.0 million, in consideration of the Company issuing and allotment 90,000 new shares to Sparkle Century. After the capitalisation, the Company remained to be wholly-owned by Sparkle Century.
- (c) By a shareholders' resolution dated 4 October 2018 and conditional upon the share premium amount of the Company being credited as a result of the [REDACTED] of the Company's shares, the Company will issue additional [REDACTED] shares, credited as fully paid, to the existing shareholders of the Company.

### III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2018 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the other companies now comprising the Group in respect of any period subsequent to 30 April 2018.