



中滔環保

CT Environmental Group Limited 中滔環保集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1363



GLOBAL OFFERING

Sole Sponsor

 **BOC INTERNATIONAL**

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

 **BOC INTERNATIONAL**  **ICBC**  **工银国际**

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



中滔環保

CT ENVIRONMENTAL GROUP LIMITED

中滔環保集團有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 340,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 34,000,000 Shares (subject to adjustment)
Number of International Offer Shares	: 306,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$1.98 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%
Nominal Value	: HK\$0.10 per Share
Stock Code	: 1363

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix V "Documents delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about September 17, 2013 and, in any event, not later than September 19, 2013. The Offer Price will be not more than HK\$1.98 and is currently expected to be not less than HK\$1.48. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$1.98 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$1.98. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, such application can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The Joint Global Coordinators (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative offer price range that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by September 19, 2013, the Global Offering will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set forth in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

September 12, 2013

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Tuesday, September 17, 2013
Application lists open ⁽³⁾	11.45 a.m. on Tuesday, September 17, 2013
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Tuesday, September 17, 2013
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, September 17, 2013
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, September 17, 2013
Application lists close	12:00 noon on Tuesday, September 17, 2013
Expected Price Determination Date ⁽⁵⁾	Tuesday, September 17, 2013
Announcement of	
• the Offer Price;	
• the level of applications in the Hong Kong Public Offering;	
• the level of indications of interest in the International Offering; and	
• the basis of allotment of the Hong Kong Offer Shares, to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	Tuesday, September 24, 2013
Results of allocations of the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus) from	Tuesday, September 24, 2013
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk , with a "search by ID" function	Tuesday, September 24, 2013
Despatch of White Form eIPO e-Refund payment instructions/refund cheques on or before ⁽⁶⁾	Tuesday, September 24, 2013
Despatch of Share certificates on or before ⁽⁶⁾	Tuesday, September 24, 2013
Dealings in Shares on the Stock Exchange to commence on	Wednesday, September 25, 2013

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 17, 2013, the application lists will not open on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open on Tuesday, September 17, 2013, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (4) If you apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC, you should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, September 17, 2013 and, in any event, not later than Thursday, September 19, 2013. If, for any reason, the Offer Price is not agreed among the Joint Global Coordinators (on behalf of the Underwriters) and us by Thursday, September 19, 2013, the Hong Kong Public Offering and the International Offering will not proceed.
- (6) We will issue refund cheques to you if your application is wholly or partially unsuccessful or if the Offer Price is less than the price per Offer Share payable on application. We will despatch Share certificates (if applicable) and refund cheques by ordinary post to you at your own risk to the address you specified in your Application Form unless you have elected for personal collection. If you have applied for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect refund cheques and/or Share certificates (if applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 24, 2013 or any other place and date we announce in the newspapers as the place and date of despatch of Share certificates/e-Refund payment instructions/refund cheques. If you are an individual applicant and you have elected for personal collection, you may not authorize any other person to collect on your behalf. If you are a corporate applicant and you have elected for personal collection, you must attend by your authorized representative with your letter of authorization stamped with your corporate chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you fail to collect within the time specified for collection, we will despatch uncollected Share certificates (if applicable) and refund cheques by ordinary post at your own risk to the address specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

Share certificates are expected to be issued on or before Tuesday, September 24, 2013 but will only become valid certificates of title at 8:00 a.m. on Wednesday, September 25, 2013 provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, you should refer to the section headed “Structure of the Global Offering” in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by CT Environmental Group Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a provider of one-stop centralized and customized wastewater treatment and industrial water supply services in China, focusing on industrial wastewater treatment. Our services cover the whole value chain of the wastewater treatment and industrial water supply services industry, from design planning, procurement and construction, to operations and maintenance of the wastewater treatment and water supply facilities. In 2003, we commenced construction of our flagship project, Guangzhou Xinzhou Industrial Park Treatment Facility, at Guangzhou Xinzhou Industrial Park. This facility was one of the five industrial wastewater treatment projects in Guangdong province that were named “2007 Key National Model Project for Practical Technology in Environmental Protection” (2007年國家重點環保實用技術示範工程) by the China Environmental Protection Industry Association (中國環境保護產業協會). According to the Ernst & Young Report, this industrial park is one of the leading textile and dyeing industrial parks in China in terms of wastewater treatment capacity. It has also been recognized by the Guangdong Province Environmental Protection Industry Association in 2011 as a leading industrial park with the largest centralized wastewater treatment facilities in terms of treatment capacity for the textile industry in the province.

Our principal business is the provision of industrial wastewater treatment and industrial water supply services. We also take on certain projects to provide municipal wastewater treatment services if we consider such projects to be beneficial to us, taking into account factors such as profit margins and development of relationships with local governments. In general, industrial wastewater treatment services have a higher gross profit margin than municipal wastewater treatment services, according to the Ernst & Young Report. Some of our treatment facilities are able to treat a mixture of industrial and municipal wastewater.

We have historically focused on providing treatment services to the textile industry. We are headquartered in Zengcheng city, Guangdong province, which produced more than 60% of the denim apparel in China in 2009 according to the People’s Government of Zengcheng city. In 2003, we commenced construction of our flagship project, the Guangzhou Xinzhou Industrial Park Treatment Facility, and as of December 31, 2012, we had provided wastewater treatment services to 35 companies in the textile industry in Zengcheng city. We have expanded our business and operations considerably over the past few years. We currently operate four wastewater treatment plants (including that under the Yinglong Project) and one industrial water supply plant in operation in Guangdong province and one wastewater treatment plant in operation in Hunan province. These facilities have an aggregate constructed capacity of 365,000 m³ per day (including 100,000 m³ per day for the Yinglong Project held by Guangzhou Yinglong, of which we own a 46% equity interest) for wastewater treatment and 150,000 m³ per day for industrial water supply. For the year ended December 31, 2012, these facilities had an aggregate daily average utilized capacity of 286,973 m³ per day (including 72,681 m³ per day for the Yinglong Project) for wastewater treatment and 96,836 m³ per day for industrial water supply.

SUMMARY

Core Business — Wastewater Treatment and Industrial Water Supply Services

We focus on providing integrated, customized, centralized and large-scale industrial wastewater treatment and industrial water supply services in a cost-effective and timely manner. Our services encompass the whole value chain of the wastewater treatment and industrial water supply services industry, which covers the processes of project selection, project design, execution and project management, procurement and construction, as well as ongoing operation and maintenance of wastewater treatment and industrial water supply facilities.

Wastewater Treatment — BOO, BOT and O&M Project Models

We use principally the Build-Own-Operate (“BOO”) or Build-Operate-Transfer (“BOT”) project model to provide our wastewater treatment services. The differences between our BOO and BOT project models are summarized below.

For our BOO projects, the relevant project company builds, owns and operates the facility and retains all of the surplus operating revenue. The project company is responsible for financing the project and relevant land acquisition costs, and designing, constructing, operating and managing the project. The BOO project model is more commonly used for industrial wastewater treatment, including construction projects in industrial parks where the local governments may not have sufficient capital to finance treatment facilities. The local governments do not generally provide direct funding for BOO projects, but may offer other financial incentives such as tax reductions or tax holidays. We typically finance our BOO projects through a combination of our own funds and bank loans secured by the project company’s assets. We cooperate with the local government in the development of the relevant industrial park, starting from the master-planning process, followed by the design, construction and commencement of operation of our facilities. We further collaborate with the local government in attracting industry players to establish their operations in the industrial parks. Our BOO projects can generally earn a higher profit margin as, unlike our BOT projects, they are not subject to fixed government tariffs, and we thus have greater flexibility in formulating pricing policy and passing increased costs to our customers. The relevant local government will recommend a maximum price for each BOO project, and a project company can apply to the relevant government authority to increase this recommended maximum price. In general, the return on investment for BOO projects is on average higher than that for BOT projects.

For our BOT projects, the relevant government or industry player grants the operational right to the relevant project company, which builds and operates the facility for a specified period pursuant to a concession agreement, and transfers ownership of the project facility to the government or other specified party upon the expiry of the specified concession period, generally for nil consideration. The project company is responsible for financing, designing, constructing, operating and managing the project for the duration of this specified concession period. BOT projects can generally be adopted in both municipal and industrial wastewater treatment projects. However, we currently mainly use the BOT project model to provide municipal wastewater treatment services. BOT projects are acquired by means of a government-mandated open tender process, and are routinely monitored by the authorities in charge of supervising municipal public utilities. Further, we are generally required to carry out comprehensive repair works prior to the transfer, and in some cases provide a warranty period of 12 months following the transfer. In general, BOT project companies receive a stable return on investment during the concession period to cover initial costs as well as O&M fees by receiving periodic payments from the government or industry player, as applicable, for wastewater treatment services. Unlike BOO projects for which wastewater treatment prices may be freely negotiated subject to a government-recommended maximum price, tariffs for BOT projects are determined by a pricing adjustment formula consisting of factors such as interest rates and utility prices. Due to this limitation on pricing flexibility, BOT projects in general earn lower profit margins and return on investment than BOO projects.

SUMMARY

Capitalizing on our knowledge and experience in wastewater treatment, we intend to commence providing O&M services to third parties by the end of 2013. Under the O&M project model, we intend to operate and maintain existing water or wastewater treatment facilities for our O&M customers in exchange for a fee.

Sludge Treatment

We currently treat sludge through a comprehensive treatment process and give the post-treated sludge to third parties for legitimate industrial use or disposal. At our Guangzhou Xinzhou Industrial Park Treatment Facility, we currently treat sludge produced as a by-product of our own wastewater treatment using our solar industrial sludge drying system. The post-treated sludge at this facility may be used as a component of fuel substitute by blending with additional fuels such as coal for use in certain manufacturing processes. We may sell this fuel substitute in the future and, as advised by our PRC legal counsel, the sale of fuel substitute does not require additional licenses and approvals. At our Yonghe Haitao Treatment Facility, we currently treat sludge produced as a by-product of our own wastewater treatment using a fully enclosed and continuous sludge compost fermentation facility. We obtained a Sludge Treatment Permit for our Yonghe Haitao Treatment Facility in March 2013 and we are now permitted to provide sludge treatment services to third parties in respect of municipal wastewater. The post-treated sludge at this facility may be used as bio-organic fertilizers for agriculture and we plan to apply for the relevant licenses and approvals for the sale of these bio-organic fertilizers. As of the Latest Practicable Date, we had commenced providing sludge treatment services to third parties in respect of municipal wastewater at our Yonghe Haitao Treatment Facility but had not commenced the sale of any post-treated sludge products. We currently charge the third-party customers for the provision of the sludge treatment services based on treatment volume of the sludge supplied by such customers.

Heating Services

As a complementary business, we have provided heating services to our customers in Guangzhou Xinzhou Industrial Park since July 2011. Pursuant to an agreement and a supplementary agreement for the provision of heating services entered into on January 26, 2011 between Guangzhou Xintao and Xintang Heat, in July 2011, we commenced procuring heating from Xintang Heat, which provides heating services to customers outside the industrial park, but does not currently provide any such service within the park. We in turn provide heating services to our customers in Guangzhou Xinzhou Industrial Park. Guangzhou Xintao has received approval from the relevant authorities in Xintang to expand its scope of business to include the provision of central heating services.

While we intend to expand our operations into other waste treatment areas, the provision of wastewater treatment services will continue to be our core business in the future.

SUMMARY

OUR PROJECTS

The tables below set forth information on our significant projects:

Project	Location	Project Model	Estimated/Actual Total Investment Amount ⁽¹⁾ (RMB in millions)	Percentage of ownership by our Group	Industry	Description	Industrial Water Supply				Wastewater Treatment				End of Concession Period			
							Total Designed Capacity (m ³ per day)	Constructed capacity as of December 31, 2012 ⁽⁵⁾ (m ³ per day)	Utilized capacity as of December 31, 2012 ⁽⁵⁾ (m ³ per day)	Average daily volume of water supply for year 2012 (m ³)	Volume of water supply for the three financial years ended December 31, 2012 (m ³)	Total Designed Capacity (m ³ per day)	Constructed Capacity as of December 31, 2012 ⁽⁵⁾ (m ³ per day)	Utilized capacity as of December 31, 2012 ⁽⁵⁾ (m ³ per day)		Average daily volume of wastewater treated for year 2012 (m ³)	Volume of wastewater treated for the three financial years ended December 31, 2012 (m ³)	
Guangdong province																		
Guangzhou Xinzhou Industrial Park Treatment Facility (Phase I and Phase II) ⁽⁵⁾	Zhangcheng city	BOO	140.0	100%	Textile	Industrial wastewater treatment and water supply for industrial use	150,000	150,000	100,951	67%(6)	96,836	33,000,829 (2010) 38,676,472 (2011) 35,442,067 (2012)	100,000	100,000	103,974	104%(6)	97,364	28,743,338 (2010) 34,447,949 (2011) 35,635,380 (2012)
Longmen Xilin Wastewater Treatment Facility (Phase I and Phase II) ⁽⁵⁾	Huizhou city	BOT	17.3	100%	Municipal	Municipal wastewater treatment	—	—	—	—	—	—	20,000	20,000	19,810	99%	19,500	6,733,088 (2010) 7,076,858 (2011) 7,137,163 (2012)
Yonghe Haitao Wastewater Treatment Facility — Phase I ⁽⁵⁾⁽⁷⁾	Zhangcheng city	BOT	59.9	99%	Municipal and commercial laundry	Municipal and industrial wastewater treatment	—	—	—	—	—	—	50,000	50,000	50,000	100%	50,000	4,299,643 (2010) 18,201,571 (2011) 18,300,000 (2012)
Yonghe Haitao Wastewater Treatment Facility — Phase II ⁽⁵⁾⁽⁷⁾	Zhangcheng city	BOT	64.8	99%	Municipal and commercial laundry	Municipal and industrial wastewater treatment	—	—	—	—	—	—	50,000	50,000	25,209	50%	23,823(8)	6,551,323 (2012)
Yonghe Haitao Wastewater Treatment Facility — Phase III ⁽⁹⁾	Zhangcheng city	BOO	158.6	99%	Textile	Industrial wastewater treatment	—	—	—	—	—	—	50,000	—	—	—	—	—
Yinglong Project — Phase I ⁽³⁾⁽¹⁰⁾	Zhangcheng city	BOO	238.4	46%	Textile	Industrial wastewater treatment	—	—	—	—	—	—	100,000	100,000	86,095	86%	72,681(11)	24,348,017 (2012)
Hunan province																		
Huohua Tianyuan Wastewater Treatment Facility — Phase I ⁽⁵⁾	Huohua city	BOT	64.7	100%	Municipal, Pulp and paper-making, food and beverage	Municipal and industrial wastewater treatment	—	—	—	—	—	—	45,000	45,000	18,200	40%(12)	23,605	4,745,907 (2010) 14,638,947 (2011) 8,639,293 (2012)
Huohua Tianyuan Wastewater Treatment Facility — Phase II	Huohua city	BOT	54.0	100%	Municipal, Pulp and paper-making, food and beverage	Municipal and industrial wastewater treatment	—	—	—	—	—	—	55,000	—	—	—	—	—
Sichuan province																		
Sichuan Guangyuan Textile and Apparel Technology Industrial Park Treatment Facility ⁽¹³⁾	Guangyuan city	BOO	200.0	99%	Textile	Industrial wastewater treatment and water supply for industrial use	100,000	—	—	—	—	—	100,000	—	—	—	—	—
			99.7				250,000	150,000	100,951		96,836	33,000,829 (2010) 38,676,472 (2011) 35,442,067 (2012)	570,000	565,000	303,288		286,973	45,019,576 (2010) 74,865,525 (2011) 100,611,176 (2012)

- (1) With respect to BOO projects, the Total Investment Amount represents expenditures on acquisition of property, plant, equipment and prepayments for operating lease in land use rights. With respect to BOT projects, the Total Investment Amount represents the cost of construction services.
- (2) Constructed capacity represents the total capacity of the relevant facility following completion of construction.
- (3) The utilized capacity was calculated based on the average daily volume of wastewater treated or industrial water supplied, as applicable, by the relevant facilities for the month ended December 31, 2012.

SUMMARY

- (4) Utilization Rate is calculated by dividing utilized capacity as of December 31, 2012 by constructed capacity as of December 31, 2012.
- (5) Guangzhou Xinzhou Industrial Park Treatment Facility, Longmen Xilin Treatment Facility, Yonghe Haitao Treatment Facility (Phase I and Phase II), Huaihua Tianyuan Treatment Facility (Phase I) and the Yinglong Project have commenced formal operations. For more details, please refer to the section “Business — Environmental Matters” in this prospectus.
- (6) The utilization rate relating to the water supply capacity of Guangzhou Xinzhou Industrial Park Treatment Facility is based on the industrial water supplied by the Guangzhou Kaizhou Water Supply Facility, which operates as a part of Guangzhou Xinzhou Industrial Park Treatment Facility. Guangzhou Kaizhou was designed with a capacity large enough to supply water to customers both within the industrial park and in the adjacent area, and it will not approach full capacity until pipes are connected to such adjacent area. During the Track Record Period, Guangzhou Kaizhou installed certain pipes, and, subject to macro-economic conditions, may install more pipes to extend the coverage of our services to customers in the future. As such, the utilization rate was relatively lower during the Track Record Period. The utilization rate relating to the wastewater treatment capacity exceeded 100% as there was a 5% to 10% capacity buffer built in when we designed the wastewater treatment facility.
- (7) Our turnover from the provision of industrial wastewater treatment services to Tian Tian at Yonghe Haitao Treatment Facility is classified as turnover under BOO projects because our services to Tian Tian are governed by our separate agreement with Tian Tian and are not governed by the relevant BOT agreement pertaining to Yonghe Haitao Treatment Facility.
- (8) Yonghe Haitao Treatment Facility (Phase II) commenced operation in the first half of 2012. As such, this figure was calculated based on the volume treated from April 2012 to December 2012.
- (9) Guangzhou Haitao does not possess the relevant land use certificates on which the Yonghe Haitao Wastewater Treatment Facility (Phase III) and its sludge treatment facility are located. Please refer to “Remarks” under the description of the Yonghe Haitao Treatment Facility (Phase III) in the “Business” section in this prospectus for further details.
- (10) Guangzhou Yinglong is accounted for as our associate on our consolidated financial statements. As such, we only share the profits or losses of Guangzhou Yinglong, and the gains or losses arising from the Yinglong Project do not directly affect our gross profit or loss.
- (11) Guangzhou Yinglong commenced charging its customers for the wastewater treatment services provided in February 2012. As such, this figure is calculated based on the volume treated by Guangzhou Yinglong from February 2012 to December 2012.
- (12) From mid-July to October 2012, Huaihua Tianyuan Treatment Facility (Phase I) suspended its operation due to an excessive pollution of the wastewater supplied to the treatment facility, leading to a low utilization rate of 40% as compared to our other wastewater treatment facilities. Since February 2013, most of the suspended operation has resumed services and the utilisation rate of Huaihua Tianyuan Treatment Facility (Phase I) has reached approximately 97.4% for the month of April 2013.
- (13) On March 29, 2011, Hong Kong To Kee and Xi Zhou Enterprises entered into an agreement with, among others, the Sichuan Guangyuan Municipal Government and the Guangyuan Lizhou District Government. Pursuant to this agreement, we will develop industrial wastewater treatment and industrial water supply facilities in Guangyuan’s textile industrial park through Guangyuan Xizhou in which we hold a 99% interest.
- (14) The total designed wastewater treatment capacity, the total wastewater treatment constructed capacity, the total utilized capacity and the total volume of wastewater treated take into account such capacity of and such volume of wastewater treated by the Yinglong Project, which is owned by Guangzhou Yinglong in which we only hold a 46% interest.

Project	Name of Project Company	Actual / Expected Date of Construction and Trial Operation Commencement	Estimated Outstanding Investment Amount as of December 31, 2012	Service Fee (per m ³) as of December 31, 2012 ⁽¹⁾	Turnover Generated			
					For the four months ended April 30,			
					For the year ended December 31,		2012	
		2010	2011	2012	2012	2013		
				HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Guangzhou Xinzhou Industrial Park Treatment Facility (Phase I and Phase II)	Guangzhou Xinzhou Environmental Protection Industrial Park Company Limited; Guangzhou Kaizhou Water Supply Company Limited; and Guangzhou Xintao Wastewater Treatment Company Limited	Date of construction commencement: Phase I: September 2003 Phase II: May 2008 Date of trial operation commencement: Phase I: January 2005 Phase II: March 2009	—	Guangzhou Kaizhou: RMB1.2 Guangzhou Xintao: RMB5.3	—	—	—	—
			168,341	242,605	229,554	68,438	73,102	
			37,002	51,389	51,689	15,729	14,983	
			—	24,601	48,945	10,870	25,892	
			205,343	318,595	330,188	95,037	113,977	

SUMMARY

Project	Name of Project Company	Actual / Expected Date of Construction and Trial Operation Commencement	Estimated Outstanding Investment Amount as of December 31, 2012	Service Fee (per m ³) as of December 31, 2012 ⁽¹⁾	Turnover Generated					
					For the year ended December 31,				For the four months ended April 30,	
					2010	2011	2012	2012	2012	2013
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Longmen Xiilin Treatment Facility (Phase I and Phase II)	Longmen Xiilin Wastewater Treatment Company Limited	Date of construction commencement: Phase I: May 2008 Phase II: October 2009	—	RMB0.9	Construction services.....	6,776	—	—	—	
					Finance income	1,106	1,290	1,293	432	426
					Wastewater treatment turnover	5,475	6,083	6,257	2,025	2,002
					Industrial water supply turnover	—	—	—	—	—
					Total	13,357	7,373	7,550	2,457	2,428
Yonghe Haitao Treatment Facility (Phase I, Phase II and Phase III)	Guangzhou Haitao Environmental Protection Technology Company Limited	Date of construction commencement: Phase I: November 2009 Phase II: August 2011 Phase III: September 2012	RMB32.6 million for Phase III	RMB0.8 ⁽²⁾	Construction services.....	74,354	85,661	693	15	
					Finance income	2,846	6,329	10,470	3,542	3,719
					Wastewater treatment turnover	6,463	25,650	24,565	8,267	7,524
					Industrial water supply turnover	—	—	—	—	—
					Total	83,663	117,640	35,728	11,824	11,243
Huaihua Tianyuan Treatment Facility (Phase I and Phase II)	Huaihua Tianyuan Wastewater Treatment Company Limited	Date of construction commencement: Phase I: July 2009 Phase II: October 2013	RMB65.0 million for Phase II and Phase I upgrade	RMB1.1	Construction services.....	49,937	—	—	—	
					Finance income	2,809	4,310	4,318	1,444	1,413
					Wastewater treatment turnover	6,335	14,342	6,022	4,364	4,671
					Industrial water supply turnover	—	—	—	—	—
					Total	59,081	18,652	10,340	5,808	6,084
Sichuan Guangyuan Textile and Apparel Technology Industrial Park Treatment Facility	Guangyuan Xizhou Environmental Enterprises Company Limited	Date of construction commencement: Phase I: August 2012	RMB171.0 million	N/A	Expected date of trial operation commencement: Phase I: December 2013	N/A	N/A	N/A	N/A	
						N/A	N/A	N/A	N/A	

(1) For our BOT projects, the service fee is calculated based on the relevant BOT agreements. For our Guangzhou Xinzhou Industrial Park Treatment Facility, the service fees are calculated by dividing the total fees received for the year of 2012 by the actual volume of wastewater treated or industrial water supplied, as applicable, for the year of 2012.

(2) According to the Yonghe Haitao wastewater treatment service agreement, the service fee for treating municipal wastewater in Yonghe Haitao Treatment Facility is RMB0.8 per m³. When providing industrial wastewater treatment services to Tian Tian, the service fee is RMB23.0 per m³, pursuant to the agreement entered into between Guangzhou Haitao and Tian Tian on June 30, 2010.

SUMMARY

SUMMARY FINANCIAL INFORMATION

Summary Data of Consolidated Income Statements

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	361,444	462,260	383,806	115,126	133,732
Gross profit	187,025	266,949	252,395	75,378	79,466
Profit from Operations . . .	168,947	230,050	227,308	66,201	68,296
Profit before taxation . . .	151,258	203,662	213,490	58,764	62,115
Profit for the year/period .	126,302	165,270	177,350	48,737	49,372
Attributable to:					
- Non-controlling interests .	5,428	756	121	39	45
Gross profit margin ⁽¹⁾ . . .	51.7%	57.7%	65.8%	65.5%	59.4%
Net profit margin ⁽²⁾	34.9%	35.8%	46.2%	42.3%	36.9%

(1) Calculated as gross profit divided by turnover.

(2) Calculated as profit for the year/period divided by turnover.

The following table sets forth the amount of our turnover contributed by each of our BOO and BOT projects for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total
BOO projects	208,755	57.7%	332,404	71.9%	343,500	89.6%	100,929	87.7%	116,894	87.4%
BOT projects	152,689	42.3%	129,856	28.1%	40,306	10.4%	14,197	12.3%	16,838	12.6%
Total	361,444	100.0%	462,260	100.0%	383,806	100.0%	115,126	100.0%	133,732	100.0%

Turnover for construction services under our BOT projects decreased significantly in 2012, as we started construction of the Yonghe Haitao Treatment Facility (Phase II) in August 2011 and completed the project in the first quarter of 2012. As most of the construction work was completed in 2011 and there have been only minimal construction services since then, our turnover for construction services decreased in 2012. In addition, there have been only minimal construction services because we primarily provide industrial wastewater treatment services and the BOO project model is generally adopted for industrial wastewater treatment. As we intended to expend more resources and efforts on BOO projects as opposed to BOT projects, the revenue for construction services associated with BOT projects decreased in 2012.

SUMMARY

The following table sets forth our gross profit and gross profit margin for each of our BOO and BOT projects for the years and periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
BOO projects										
Wastewater treatment services:										
- Guangzhou Xintao . . .	122,478	72.8%	184,926	76.2%	178,553	77.8%	51,538	75.3%	56,838	77.8%
- Yonghe Haitao (Tian Tian)	2,689	78.8%	9,526	69.0%	8,203	61.6%	3,864	65.6%	1,747	59.9%
Industrial water supply:										
- Guangzhou Kaizhou . . .	28,829	77.9%	38,430	74.8%	37,912	73.3%	11,416	72.6%	10,314	68.8%
Heating services	—	—	830	3.4%	2,926	6.0%	239	2.2%	1,813	7.0%
Sub-total	153,996	73.8%	233,712	70.3%	227,594	66.3%	67,057	66.4%	70,712	60.5%
BOT projects										
Construction services:										
- Longmen Xilin	647	9.5%	—	—	—	—	—	—	—	—
- Yonghe Haitao	7,924	10.7%	7,980	9.3%	65	9.4%	1	6.7%	—	—
- Huaihua Tianyuan	5,895	11.8%	—	—	—	—	—	—	—	—
Finance income:										
- Longmen Xilin	1,106	—	1,290	—	1,293	—	432	—	426	—
- Yonghe Haitao	2,847	—	6,329	—	10,470	—	3,542	—	3,719	—
- Huaihua Tianyuan	2,808	—	4,310	—	4,318	—	1,444	—	1,413	—
Wastewater treatment services:										
- Longmen Xilin	4,080	74.5%	4,153	68.3%	4,388	70.1%	1,442	71.2%	1,224	61.1%
- Yonghe Haitao (non-Tian Tian)	2,406	78.9%	8,169	69.0%	6,935	61.6%	1,557	65.6%	2,759	59.9%
- Huaihua Tianyuan ⁽¹⁾	5,316	83.9%	1,006	7.0%	(2,668)	(44.3)%	(97)	(2.2)%	(787)	(16.8)%
Sub-total	33,029	21.6%	33,237	25.6%	24,801	61.5%	8,321	58.6%	8,754	52.0%
Total	187,025	51.7%	266,949	57.7%	252,395	65.8%	75,378	65.5%	79,466	59.4%

(1) For the four months ended April 30, 2012, Huaihua Tianyuan recorded a negative gross profit margin in respect of its wastewater treatment services because there was no upward adjustment to the tariff to reflect our increased cost for treatment of excessively polluted wastewater supplied by an end user. Consequently, Huaihua Tianyuan suspended operation from mid-July to October 2012. As a result of the suspension of operation, we estimate that we failed to recognize a revenue of approximately HK\$5.8 million for the year ended December 31, 2012 which would otherwise have been generated. During the suspension period, we continued to incur costs in the amount of HK\$1.4 million, mainly for staff and utilities, while no revenue was generated, resulting in an overall negative gross profit margin in 2012. Please refer to the section headed “Financial Information — Description of Selected Income Statement Line Items — Gross profit and gross profit margin” in this prospectus for further details.

Huaihua Tianyuan recorded a negative gross profit margin for the four months ended April 30, 2013 in respect of its wastewater treatment services. This was mainly due to certain improvement work made to the Huaihua Tianyuan Treatment Facility in the amount of HK\$1.4 million, which is accounted for as part of our cost of sales for the four months ended April 30, 2013.

Accounting treatment for BOO and BOT projects

The accounting treatment of a BOT project is different from that of a BOO project. The differences in the accounting treatment of our BOO model and BOT model are summarized below.

SUMMARY

For our BOO projects, we recognize turnover when wastewater treatment services are rendered during the operational phase. We record the amount of turnover recognized from the provision of wastewater treatment services in our consolidated income statement. Outsourcing costs related to the construction of our facilities, as well as property, plant and equipment used in providing such services are capitalized as fixed assets. Depreciation of such property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives less their estimated residual value. Unlike BOT projects, the accounting treatment for BOO projects does not involve any estimation or recognition of construction turnover.

Our BOT projects are considered as service concession arrangements under HK (IFRIC) 12. As such, we recognize turnover from a BOT project during both the construction phase and the operational phase, while we generally only receive payments for our services rendered during the operational phase. Turnover for the construction phase expected to be generated from a BOT project is estimated and valued at the time the relevant contracts for the project are entered into. During the construction phase, we recognize turnover for construction services under our BOT projects on the basis of the percentage of completion. Turnover recognized during the operational phase accounts for the remainder of the total turnover from such BOT projects.

Summary Data of Consolidated Statements of Financial Position

	As of December 31,			As of April 30,
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	296,336	662,173	844,961	935,503
Current assets	419,101	222,005	296,469	330,037
Current liabilities	147,121	211,736	195,967	269,719
Net current assets	271,980	10,269	100,502	60,318
Total assets less current liabilities	568,316	672,442	945,463	995,821
Non-current liabilities	313,314	448,449	553,561	549,786
Net assets	255,002	223,993	391,902	446,035
Total equity attributable to equity holders of our Company	247,464	214,558	390,338	443,657
Non-controlling interests	7,538	9,435	1,564	2,378
Total equity	255,002	223,993	391,902	446,035

Summary Data of Consolidated Cash Flow Statements

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	10,434	122,508	278,610	109,756	42,341
Net cash used in investing activities .	(101,173)	(8,487)	(391,502)	(157,980)	(19,872)
Net cash generated from/(used in) financing activities	42,886	(79,183)	71,393	11,898	(22,135)
Cash and cash equivalents at end of the year/period	16,365	51,967	10,463	16,035	10,903

SUMMARY

Key Financial Ratios

The following table illustrates our selective key financial ratios for the periods indicated:

	Year ended 31 December			For the four months ended April 30,	
	2010	2011	2012	2012	2013
Return on total assets ⁽¹⁾⁽³⁾	17.7%	18.7%	15.5%	4.7%	3.9%
Return on equity ⁽²⁾⁽³⁾	49.5%	73.8%	45.3%	18.5%	11.1%
Current ratio ⁽⁴⁾	2.8	1.0	1.5	1.3	1.2
Gearing ratio ⁽⁵⁾	44.6%	54.8%	52.5%	50.3%	47.1%

Notes:

- (1) Return on total assets is calculated by dividing profit for the year/period by total assets.
- (2) Return on equity is calculated by dividing profit for the year/period by total equity.
- (3) The calculation for the return for the four months ended April 30, 2013 has not been annualised.
- (4) Current ratio is calculated by dividing current assets by current liabilities.
- (5) Gearing ratio is calculated by dividing total loans and borrowings by total assets.

RECENT DEVELOPMENTS

As far as we are aware, there have not been any material changes in the general economic and market conditions in the PRC or the industry in which we operate that materially and adversely affected our business operations or financial condition since April 30, 2013 and up to the date of this prospectus.

Based on our unaudited management information for the four months ended August 31, 2013, our unaudited total revenue for this period was approximately HK\$187.0 million, of which approximately HK\$166.1 million was attributable to our BOO projects and approximately HK\$20.9 million was attributable to our BOT projects. Our gross profit margin remained relatively stable subsequent to the Track Record Period up to August 31, 2013. Our Directors confirm that there have not been any material adverse changes in the financial or trading position or prospects of our Company since April 30, 2013, being the last date of our latest audited financial results as set out in the Accountants' Report in Appendix I, up to the date of this prospectus.

There are no material operational development after the Track Record Period. After taking into account Guangzhou Xintao being granted the status of high and new technology enterprise in November 2012, the preferential tax rates which our operating subsidiaries and associate enjoy are as follows:

Operating subsidiaries/associate	Periods	Preferential income tax rates
Guangzhou Xintao	2013 - 2014	15%
Guangzhou Haitao	2013 - 2015	12.5%
Longmen Xilin	2013 - 2014	12.5%
Huaihua Tianyuan	2013	0%
	2014 - 2016	12.5%
Guangzhou Yinglong	2013 - 2014	0%
	2015 - 2017	12.5%

Since the status of high and new technology enterprise was granted to Guangzhou Xintao in November 2012, Guangzhou Xintao will continue to enjoy the preferential tax treatment in 2013 and 2014. Thus, only the preferential tax treatment of Guangzhou Kaizhou would expire before 2013. As a result, our Directors considered that there will not be any material adverse impact on our income tax expenses in the next few years.

SUMMARY

Except for the above, our Directors were not aware of any material adverse change with regard to our Group's volume of wastewater treated and industrial water supplied and tariff, the progress of the construction of other wastewater treatment facilities or any change in the status of preferential tax treatment of our subsidiaries.

GLOBAL OFFERING STATISTICS

We have prepared the following offer statistics on the basis of hypothetical Offer Prices without taking into account the 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee. We have also assumed no exercise of the Over-allotment Option.

	Based on Offer Price per Share of HK\$1.48	Based on Offer Price per Share of HK\$1.98
Market capitalization of our Shares	HK\$2,012.8 million	HK\$2,692.8 million
Adjusted net tangible asset value per Share	HK\$0.66	HK\$0.78

The calculation of our market capitalization upon completion of the Global Offering is based on the assumption that 1,360,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The adjusted net tangible asset value per Share is calculated after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets" in this prospectus and on the basis of a total of 1,360,000,000 Shares in issue immediately following the Global Offering (assuming the Over-allotment Option is not exercised).

DIVIDEND POLICY

Pursuant to the Companies Law and our Articles of Association, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign investment enterprises to transfer at least 10% of their net profit (after offsetting losses in the prior year) to statutory reserves until the reserve balance reaches 50% of the registered capital of the enterprise. The transfer to their reserve must be made before distribution of dividends to their equity holders. Distributions from our PRC operating subsidiaries may also be restricted if they incur debts or due to PRC law restricting payments of dividend to us or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our PRC operating subsidiaries may enter into in the future. Pursuant to certain loan agreements entered into by us, (i) Guangzhou Kaizhou could not distribute dividends if any overdue payments remain outstanding on the date of the proposed dividend distribution, and (ii) Guangzhou Xintao, Guangzhou Haitao and Guangzhou Yinglong could not distribute any dividends for the term of the relevant loan agreement unless a consent has been obtained from ICBC or until the relevant loan is fully repaid. On May 2, 2013, Guangzhou Xintao, Guangzhou Haitao and Guangzhou Yinglong have each obtained consent from ICBC that they could freely distribute dividends so long as there are no overdue payments under the relevant loans on the date of the proposed dividend distribution. As such, as of the Latest Practicable Date (i.e. subsequent to the lifting of the restrictions on May 2, 2013), Guangzhou Xintao, Guangzhou Haitao, Guangzhou Yinglong and Guangzhou Kaizhou were only subject to the restriction that they could not distribute dividends if any overdue payments remain outstanding on the date of the proposed dividend distribution. With the written consent obtained, the amount of retained earnings recorded in the statutory financial statements for our PRC subsidiaries as of December 31, 2012 that are not subject to such restrictions and are available for distribution amounted to approximately HK\$177.4 million. The covenant restrictions under the relevant loan agreements will expire after the loans are fully repaid under the relevant loan agreements. These restrictions limit the funds available to pay dividends to our Shareholders.

SUMMARY

The amount of dividend actually distributed to equity holders of our Company will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has an absolute discretion to recommend any dividend for any year. There is no assurance that dividends of any amount will be declared or distributed in any year.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds of the Global Offering we expect to receive (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised) are estimated to be approximately HK\$621.7 million, assuming an Offer Price of HK\$1.98 per Share, being the high end of the stated Offer Price range or HK\$456.8 million, assuming an Offer Price of HK\$1.48 per Share, being the low end of the stated Offer Price range (or if the Over-allotment Option is exercised in full, HK\$719.7 million, assuming an Offer Price of HK\$1.98 per Share, being the high end of the stated Offer Price range or HK\$530.0 million, assuming an Offer Price of HK\$1.48 per Share, being the low end of the stated Offer Price range).

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.73 per Share, being the midpoint of the stated Offer Price range of HK\$1.48 to HK\$1.98 per Share, the net proceeds of the Global Offering to us would be approximately HK\$539.3 million which we presently plan to use as follows:

- Approximately 69.4%, or approximately HK\$374.3 million, to be used for construction and operation of wastewater treatment and industrial water supply facilities;
- Approximately 10.0%, or approximately HK\$53.9 million, to be used in connection with potential acquisition relating to the wastewater treatment and industrial water supply facilities;
- Approximately 7.4%, or approximately HK\$40.1 million, to be used for expansion into third party sludge treatment business;
- Approximately 3.2%, or approximately HK\$17.1 million, to be used for improving research and development capacity, including developing a prototype and carrying out market research on the development of dyeing sludge biomass fuel; and
- Approximately 10.0%, or approximately HK\$53.9 million, to be used for working capital and general corporate purposes.

The amount of listing expenses in relation to our proposed listing in 2011 charged in our consolidated income statement during the Track Record Period were HK\$9.7 million, HK\$22.1 million, nil and nil for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, respectively, whilst the amount of listing expenses in relation to the Global Offering charged in our consolidated income statement during the Track Record Period was HK\$5.5 million. The corresponding amount to be charged in our consolidated income statement for the three months from May 1, 2013 to July 31, 2013 was HK\$6.1 million, for the period from August 1, 2013 to the date of this prospectus was approximately HK\$2.6 million, and after the Global Offering to December 31, 2013 is expected to be approximately HK\$3.2 million. The amount of listing expenses to be charged against equity after the Global Offering is expected to be HK\$38.3 million.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them that is used in connection with the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on September 4, 2013 and as amended from time to time
“Board of Directors” or “Board”	our board of Directors
“BOCI” or “Sole Sponsor”	BOCI Asia Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Bright Sign”	Bright Sign Enterprises Limited (信光企業有限公司), a company incorporated in the BVI on October 12, 2010, a wholly-owned subsidiary of our Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of Shares to be made upon capitalization of the share premium account of our Company as referred to in the section headed “Statutory and General Information — Further Information About Our Company and Our Subsidiaries — Resolutions in writing of the shareholders of our Company passed on September 4, 2013” in Appendix IV to this prospectus
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, Macau and Taiwan
“Chinese Government” or “PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “Group”, “our”, “us” or “we”	CT Environmental Group Limited (中滔環保集團有限公司), incorporated as an exempted company with limited liability in the Cayman Islands on November 30, 2010, and, unless the context otherwise requires, all of its subsidiaries, or where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganization
“Controlling Shareholders”	Mr. Tsui and Keen Vast, the controlling shareholders (as defined in the Listing Rules) of our Company
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Non-competition”	a deed of non-competition dated September 4, 2013 given by each of the Controlling Shareholders in favor of our Company
“Director(s)”	the director(s) of our Company as of the date of this prospectus

DEFINITIONS

“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) approved during the Fifth Session of the 10th National People’s Congress that went into effect on January 1, 2008
“Ernst & Young”	Ernst & Young (China) Advisory Ltd., our industry consultant, which is an independent third party
“Ernst & Young Report”	the report we commissioned from Ernst & Young in respect of the PRC wastewater treatment and water supply industry
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Great Nation”	Great Nation Finance Limited, a company incorporated in the BVI on May 10, 2004, which is wholly owned by Mr. Lu Yili, our executive Director
“GREEN Application Form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Green Prosper”	Green Prosper Investments Limited, a company incorporated in the BVI on December 13, 2010, which is wholly-owned by Mr. Li Sze Lim, an independent third party
“Guangyuan Xizhou”	廣元西州環保實業有限公司 (Guangyuan Xizhou Environmental Protection Enterprises Company Limited), a limited liability company established under the laws of the PRC on July 11, 2011, which is directly owned as to 99% by Xi Zhou Enterprises and as to 1% by 增城市廣英紡織實業有限公司 (Zengcheng Guangying Spinning Enterprises Company Limited), an independent third party
“Guangzhou CT”	廣州中滔環保投資有限公司 (Guangzhou CT Environmental Investment Company Limited), a limited liability company established under the laws of the PRC on October 17, 2011, and a wholly-owned subsidiary of Guangzhou Xintao
“Guangzhou Haitao”	廣州海滔環保科技有限公司 (Guangzhou Haitao Environmental Protection Technology Company Limited), a limited liability company established under the laws of the PRC on November 9, 2009, and is owned as to 99% by Guangzhou Xintao and as to 1% by Guangzhou To Kee
“Guangzhou Kaizhou”	廣州凱洲自來水有限公司 (Guangzhou Kaizhou Water Supply Company Limited), a limited liability company established under the laws of the PRC on September 28, 2003, and a wholly owned subsidiary of Xi Zhou Enterprises

DEFINITIONS

“Guangzhou To Kee”	廣州滔記實業發展集團有限公司 (Guangzhou To Kee Enterprises Development Group Limited), a limited liability company established under the laws of the PRC on August 26, 1993, which is effectively owned by Mr. Tsui as to 89.45%, formerly known as 增城市新塘滔記實業發展集團有限公司 (Zengcheng Xintang To Kee Enterprises Development Group Limited), and the remaining equity interests are beneficially owned by Mr. Xu Ju Wen and Mr. Xu Shu Biao, both of whom are our executive Directors
“Guangzhou Xintao”	廣州新滔水質淨化有限公司 (Guangzhou Xintao Wastewater Treatment Company Limited), a limited liability company established under the laws of the PRC on September 28, 2003, and a wholly-owned subsidiary of Xi Zhou Enterprises
“Guangzhou Xinzhou”	廣州新洲環保工業園有限公司 (Guangzhou Xinzhou Environmental Protection Industrial Park Company Limited), a limited liability company established under the laws of the PRC on June 10, 2003, and a wholly-owned subsidiary of Guangzhou Xintao
“Guangzhou Xinzhou Industrial Park”	Guangzhou Xinzhou Environmental Protection Industrial Park
“Guangzhou Xinzhou Industrial Park Treatment Facility”	Guangzhou Xinzhou Environmental Protection Industrial Park Treatment Facility, which consists of Guangzhou Xintao Wastewater Treatment Facility and Guangzhou Kaizhou Water Supply Facility
“Guangzhou Yinglong”	廣州盈隆污水處理有限公司 (Guangzhou Yinglong Wastewater Treatment Company Limited), a limited liability company established under the laws of the PRC on February 27, 2012, which is directly owned by Guangzhou Xintao as to 46%, and the remaining equity interests are owned by independent third parties
“HK (IFRIC) 12”	Hong Kong (International Financial Reporting Interpretation Committee) 12 Service Concession Arrangements
“HK\$”, “HKD”, “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Offer Shares”	34,000,000 new Shares being initially offered by our Company pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer for subscription of Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong To Kee”	To Kee Holdings Limited (滔記集團有限公司), a company incorporated in Hong Kong on July 5, 2000, owned by Mr. Tsui as to 99.99%, and owned by Yuen Lai Wan, his spouse, as to 0.01%
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 11, 2013 relating to the Hong Kong Public Offering entered into among our Company, the Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters
“Huaihua Tianyuan”	懷化天源污水處理投資有限公司 (Huaihua Tianyuan Wastewater Treatment Investment Company Limited), a limited liability company established under the laws of the PRC on May 21, 2009, and is wholly-owned by Guangzhou Xintao
“Huaihua Tianyuan Treatment Facility”	Huaihua Tianyuan Wastewater Treatment Facility
“ICBC”	Industrial and Commercial Bank of China
“ICBCI Capital”	ICBC International Capital Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“ICBCI Securities”	ICBC International Securities Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities as defined under the SFO

DEFINITIONS

“independent third party(ies)”	a person(s) or company(ies) who/which is or are independent of and are not connected persons of our Company
“International Offer Shares”	306,000,000 new Shares, being initially offered by our Company pursuant to the International Offering, subject to any exercise of the Over-allotment Option and adjustment as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional placing by the International Underwriters of the International Offer Shares outside the United States to institutional and professional investors in offshore transactions as defined in and in accordance with Regulation S, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering which are expected to enter into the International Underwriting Agreement as described in the section headed “Underwriting — The International Offering” in this prospectus
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into among our Company, the Controlling Shareholders, the Joint Global Coordinators and the International Underwriters on or around the Price Determination Date
“ISO 9001”	an internationally recognized requirement for quality management system that is applicable to any business or organization
“ISO 14001”	an internationally recognized standard for environmental management system that is applicable to any business or organization
“Joint Global Coordinators” or “Joint Bookrunners”	BOCI and ICBCI Capital
“Joint Lead Managers”	BOCI and ICBCI Securities
“Keen Vast”	Keen Vast Holdings Limited (建大控股有限公司), a company incorporated in the BVI on October 15, 2010, our Controlling Shareholder and is owned as to 98% by Mr. Tsui
“KPMG”	KPMG, auditors and reporting accountants for our Company
“Latest Practicable Date”	September 4, 2013, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus

DEFINITIONS

“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date, expected to be on or about September 25, 2013, on which the Shares are listed and from which dealings therein first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Longmen Xilin”	龍門縣西林水質淨化有限公司 (Longmen Xilin Wastewater Treatment Company Limited), a limited liability company established under the laws of the PRC on March 21, 2008, and a wholly-owned subsidiary of Guangzhou Xintao
“Longmen Xilin Treatment Facility”	Longmen Xilin Wastewater Treatment Facility
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on September 4, 2013, as supplemented, amended or otherwise modified from time to time
“Ministry of Construction”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), previously known as the Ministry of Construction
“Ministry of Environmental Protection”, “MEP” or “SEPA”	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部), previously known as the State Environmental Protection Administration of the PRC (中華人民共和國國家環境保護總局)
“Ministry of Finance” or “MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“Ministry of Water Resources” or “MWR”	the Ministry of Water Resources of the PRC (中華人民共和國水利部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Tsui”	Tsui Cham To (徐湛滔), our chairman, an executive Director and a substantial shareholder of our Company

DEFINITIONS

“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC” or “National People’s Congress”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會) and its Standing Committee
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Shares issued pursuant to the Over-allotment Option
“Over-allotment Option”	the option granted by us to the International Underwriters exercisable by the Joint Global Coordinators pursuant to the International Underwriting Agreement, to be exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 51,000,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the Offer Price to cover, among other things, over-allocations in the International Offering, if any
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“Price Determination Date”	the date, expected to be on or around September 17, 2013 but no later than September 19, 2013, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) for the purposes of the Global Offering
“property ownership certificate”	Property Ownership and Land Use Rights Certificate (房地產權證), a certificate issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on such land
“R&D”	research and development

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization arrangements we have undergone in preparation for the listing of Shares on the Stock Exchange which are more particularly described in the sections headed “History and Reorganization” in this prospectus and “Statutory and General Information — Further Information About Our Company and Our Subsidiaries — Corporate reorganization” in Appendix IV to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSM”	RSM Nelson Wheeler Consulting Limited, our internal control consultant, established in 1986, which has previously been engaged in numerous internal control review projects for listed companies in Hong Kong. Its engagement team includes members who have relevant experience and qualifications of Certified Public Accountants, Certified Internal Auditor and Certified Information Systems Auditor
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme our Company conditionally adopted on September 4, 2013, the principal terms of which are summarized in the section headed “Statutory and General Information — Other Information — Share Option Scheme” in Appendix IV to this prospectus
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the share capital of our Company with a nominal value of HK\$0.10 each
“Shenzhen Jialinyuan”	深圳市佳霖源水務科技有限公司 (Shenzhen Jialinyuan Water Treatment Technology Limited), an independent third party

DEFINITIONS

“Sichuan Guangyuan Industrial Park Treatment Facility”	Sichuan Guangyuan Textile and Apparel Technology Industrial Park Treatment Facility, which consists of an industrial wastewater treatment plant and an industrial water supply plant
“Sludge Treatment Permit”	the Guangdong Province Regulated Waste Disposal Permit (廣東省嚴控廢物處理許可證), which, in accordance with the Guangdong Province Solid Waste Treatment Administrative Licensing Implementation Measures, permits its holder to provide sludge treatment service to third parties
“Stabilizing Manager”	BOCI or any of its affiliates
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“State-owned Assets Supervision and Administration Commission” or “SASAC”	the State-owned Assets Supervision and Administrative Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into between the Stabilizing Manager and Keen Vast
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tian Tian”	廣州天天快潔洗滌有限公司 (Guangzhou Tian Tian Cleaning and Washing Company Limited), a sino-foreign cooperative joint venture established under the laws of the PRC and the capital of which is wholly contributed by Hong Kong To Kee
“Track Record Period”	the period comprising the three financial years ended December 31, 2012 and the four months ended April 30, 2013
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Xi Zhou Enterprises”	Xi Zhou Enterprises Hong Kong Limited (西洲實業香港有限公司), a company incorporated in Hong Kong on July 28, 1999, a wholly-owned subsidiary of our Company
“Xintang Environmental”	增城市新塘環保工業園有限公司 (Zengcheng City Xintang Environmental Protection Industrial Park Company Limited), a limited liability company established under the laws of the PRC, which is an independent third party
“Xintang Heat”	廣州發展新塘熱力有限公司 (Guangzhou Development Xintang Heat Company Limited), a limited liability company established under the laws of the PRC, which is an independent third party
“Xintang Water”	廣州發展新塘水務有限公司 (Guangzhou Development Xintang Water Service Company Limited), an independent third party
“Yifeng Investments”	Yifeng Investments Limited, a company incorporated in the BVI on December 9, 2010, which is wholly-owned by Ms. Cheung Yee Man, an independent third party
“Yinglong Project”	the industrial wastewater treatment project located in Zengcheng city owned by Guangzhou Yinglong, to which Guangzhou Xintao provides operation and management services, pursuant to an entrustment agreement dated March 1, 2012 between Guangzhou Xintao and Guangzhou Yinglong as of the Latest Practicable Date
“Yonghe Haitao Treatment Facility”	Yonghe Haitao Wastewater Treatment Facility

Unless expressly stated or the context otherwise requires, all data in this prospectus are as of the Latest Practicable Date.

In this prospectus, the terms “associate”, “connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings ascribed to them under the Listing Rules, unless the context otherwise requires.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC Government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our Group and our business. These terms and their given meanings may not correspond to standard industry meaning or usage.

“aerobic”	an environment in which oxygen is present or a process which occurs only in the presence of oxygen
“anaerobic”	an environment in which oxygen is absent or a process which occurs only in the absence of oxygen
“BOO”	Build-Own-Operate, a project model in which an enterprise undertakes the financing, design, construction, operations and maintenance of wastewater treatment or water supply facilities which are owned by such enterprise
“BOD”	Biochemical Oxygen Demand, a test commonly used as an indication of the organic quality of water by determining the total amount of oxygen consumed by microorganisms during biodegradation
“BOT”	Build-Operate-Transfer, a project model in which the proprietor grants to a contracted enterprise the rights to undertake the financing, design, construction, operations and maintenance of wastewater treatment facilities by concession agreement, which enterprise can charge a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
“COD”	Chemical Oxygen Demand, a test commonly used to indirectly measure the amount of organic compounds in water
“industrial water supply service”	use of chemical and biological processes to treat raw water and then supply the water for industrial use
“m ³ ”	cubic meter
“municipal wastewater treatment services”	services relating to the treatment of wastewater from domestic and other non-industrial sources
“O&M”	operation and maintenance, a project model in which an enterprise is retained to operate and maintain water supply or wastewater treatment facilities in return for a fee
“reclamation of treated wastewater”	the use of wastewater that has been treated in the wastewater treatment process for the purpose of water conservation
“sedimentation”	settling of suspended solids in a fluid through the natural process of gravity

GLOSSARY OF TECHNICAL TERMS

“utilised capacity”	the actual daily volume of wastewater treated or industrial water supplied, as applicable, divided by the constructed capacity of the relevant facility
“wastewater”	water that has been used for domestic or industrial purposes which may contain organic and inorganic pollutants, bacteria, dissolved and/or suspended solids
“wastewater treatment”	use of chemical and biological processes to remove pollutants from wastewater before discharging it into a water body or reclaiming it for re-use

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “project”, “anticipate”, “seek”, “may”, “will”, “would”, and “could” or similar words or statements, in particular, in the sections headed “Risk Factors”, “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Our Directors confirm that the forward-looking statements are made after due and careful consideration. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors described in this prospectus, and the following:

- our business strategies and plan of operation and our ability to implement such strategies;
- our ability to further develop and manage our projects as planned;
- the amount and nature of, and potential for, future development of our business;
- our business prospects, including business expansion plans;
- various business opportunities that we may pursue;
- our dividend policy;
- the interpretation and implementation of the existing rules and regulations governing our industry;
- information regarding our imbedded value, including our financial condition and results of operations;
- availability and costs of bank loans and other forms of financing;
- our capital commitment and budget plans;
- the performance and future development of the wastewater treatment and industrial water supply services industry in China, particularly in the regions where we operate;
- the industry regulatory environment as well as the industry outlook generally;
- changes in political, economic, legal and social conditions in China, including specific policies of the PRC Government and the local authorities in the regions where we operate;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations of our existing and future partners and our overall relationship with them;
- interest rate fluctuations;
- exchange rate fluctuations and restrictions; and
- factors beyond our control such as catastrophic losses from accidents and natural disasters.

FORWARD-LOOKING STATEMENTS

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

In this prospectus, statements of or references to the intentions of our Company or any of our directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Offer Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Offer Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. For more information concerning the PRC and certain related matters discussed below, please refer to the section headed “Regulations” in this prospectus.

RISKS RELATING TO OUR BUSINESS

We may not be able to secure and execute new wastewater or industrial water supply projects

Our turnover is generated from services provided to customers that are primarily manufacturers in the textile industry. During the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, according to our calculation, turnover from our wastewater treatment and industrial water supply services provided to customers in the textile industry was approximately HK\$189.9 million, HK\$265.0 million, HK\$234.9 million and HK\$73.9 million, respectively, which accounted for 84.9%, 77.9%, 73.8% and 72.3%, respectively, of our total turnover from the provision of wastewater treatment and industrial water supply services during the same periods. Our continued growth depends on our ability to secure and execute new wastewater treatment and industrial water supply projects, particularly BOO projects in association with the development of specialized industrial parks and BOT projects that provide industrial or municipal wastewater treatment services. Our ability to secure and execute such new projects in turn is dependent on a number of factors, many of which are beyond our control, including:

- global, national and local economic conditions;
- development of the industries in which our customers conduct business and these customers' businesses and their demand for wastewater treatment and industrial water supply services;
- policies and regulatory requirements in our target markets and industries, including environmental standards and the level and effectiveness of government promotions of environmental protection measures that affect our industry and the industries that we serve;
- development of industrial parks in the industries and markets that we are servicing or to which we plan to expand, including our ability to identify feasible projects and collaborate with the government in the development of these projects;
- competition in the PRC's wastewater treatment and industrial water supply services industry;
- availability and cost of suitable land, infrastructure, equipment and other raw materials necessary for the development and operations of treatment facilities; and
- availability and cost of financing.

If we fail to secure and execute new projects on terms and in a manner sufficient to support our anticipated growth, our business, results of operations, financial condition and prospects could be materially and adversely affected. We cannot assure you that we can secure these projects on favorable terms or at all. Furthermore, if we fail to successfully execute these projects, we may not be able to achieve the anticipated benefits.

RISK FACTORS

Our plans to expand into new markets and industries may not be successful, which could materially and adversely affect our results of operations

We anticipate a significant expansion of our business operations in tandem with the growth of the PRC economy over the next few years. Our expansion has placed, and will continue to place, significant additional demands on our managerial, operational, technological and other resources. Our expansion growth will also depend on a number of factors beyond our control, including the macroeconomic policies of the PRC Government and the local governments, the level of competition in the wastewater treatment and industrial water supply services industry, changes in customer demand and prices of equipment, raw materials and components. In addition, we may be unfamiliar with local markets and local competitors may have a proximity advantage. If we fail to manage our expansion effectively and efficiently, we could suffer material and adverse effects on our operations and our ability to capitalize on new business opportunities in new markets and new industries, either of which could materially and adversely affect our operating results.

We intend to actively seek opportunities in central and western China, where the PRC Government promotes industry development. We expect that significant business opportunities exist for us in these regions to provide centralized wastewater treatment and industrial water supply services. However, we may encounter difficulties when expanding into such new markets. Our competitors in these new markets may have stronger financial resources, more established presence, stronger relationships with local governments and better understanding of customer requirements and preferences. As such, we may not be able to compete effectively.

We have historically focused on providing wastewater treatment and industrial water supply services to the textile industry, and have subsequently extended our wastewater treatment services to the pulp and paper-making as well as the food and beverage industry. We plan to further expand our wastewater treatment and industrial water supply services into other industries. However, we have no or minimal experience in providing wastewater treatment and industrial water supply services to customers in those industries. We intend to utilize our existing technologies to suit other industries. We may, however, be unable to adapt and apply these technologies to these other industries in a timely manner, at reasonable costs or at all. We also face competition from other wastewater treatment and industrial water supply services providers who may have more experience and established presence in servicing these industries.

Our expansion plans to provide sludge treatment and O&M services to third parties may not be successful and we may not be able to realize the anticipated benefits from such expansion

We plan to expand our business to also provide sludge treatment and O&M services to third parties. However, we have no operational experience in providing sludge treatment or O&M services to third parties.

Currently, we only treat sludge that results from our own wastewater treatment process and do not sell post-treated sludge products. Our Yonghe Haitao Treatment Facility has received a Sludge Treatment Permit from Guangzhou Municipal Environmental Protection Bureau which allows us to provide sludge treatment services in respect of municipal wastewater to third parties. However, we have no experience in providing such services to third parties and we may be subject to risks that are significantly different to those related to our BOO and BOT projects. Further, we may not be able to receive the relevant licenses from the relevant authorities which may be required for selling post-treated sludge products. In addition, expanding our scope of business within a short period of time has imposed on us new operational, management and planning challenges which we may not have encountered before. Accordingly, our assumptions and judgments relating to the costs of our sludge treatment projects and the general undertaking of these projects are yet to be tested and could prove to be incorrect. For our Guangzhou Xintao Industrial Park Treatment Facility, we plan to apply for a Sludge Treatment Permit and upon receiving such a permit, we plan to provide sludge treatment

RISK FACTORS

services to third parties and sell the post-treated sludge products to third parties. Furthermore, we intend to continue to improve our sludge treatment technology, particularly the sludge drying process, and to increase the capacity and efficiency of our sludge treatment process. The development of sludge treatment technology in China is currently at its early stages. If we are not successful in improving our sludge treatment technology, we may not be able to successfully provide sludge treatment services to our customers in a cost-effective and timely manner and the profitability of our sludge treatment services business will be materially and adversely affected. Furthermore, we may fail to obtain the Sludge Treatment Permit and may not be able to conduct the sludge treatment business at our Guangzhou Xinzhou Industrial Park Treatment Facility.

We intend to commence providing O&M services to wastewater treatment facilities of third parties by the end of 2013. As part of our growth strategy, we plan to capture new and viable business opportunities in the future including but not limited to O&M services. As we undertake new types of projects or enter into new lines of business, we may become subject to risks that are significantly different to those related to our BOO and BOT projects. Accordingly, our assumptions and judgments relating to the costs of our O&M projects and the general undertaking of these projects are yet to be tested and could prove to be incorrect. If we fail to meet the challenges posed by the O&M projects, our business, financial condition, and results of operations may be materially and adversely affected.

If we fail to obtain or maintain the approvals, permits, licenses and certificates required for our operations, or fail to rectify our historical non-compliance incidents, our business, financial condition and results of operations may be materially and adversely affected

We are required to obtain certain approvals, permits, licenses and certificates from various governmental authorities and to comply with the relevant PRC laws and regulations in order to develop and operate the wastewater treatment and industrial water supply facilities for our projects and conduct our complementary businesses. Some of these approvals, permits, licenses and certificates required for projects and properties for our project companies include the Land Use Rights Certificate, Construction Land Use Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit, Qualification Certificate for the Operation of Environmental Pollution Treatment Facilities (“Qualification Certificate”), the Pollutants Discharge Permit, the Water-Drawing Permit and the Sludge Treatment Permit. We cannot assure you that all these required approvals, licenses, permits and certificates can be obtained in a timely manner or at all. If we develop our facilities and operate our business without the required approvals, permits, licenses and certificates, or without complying with the relevant PRC laws and regulations, we may be subject to fines and penalties imposed by the relevant governmental authorities and may be required to suspend the use of such facilities or vacate the premises. In addition, some of these approvals, licenses, permits and certificates are subject to periodic review and renewal by the governmental authorities and the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice. Any changes in the existing policies by the governmental authorities in relation to the industries to which we provide our services may result in our failure to obtain or maintain such approvals, permits, licenses and certificates. Any such failure could subject us to fines and other penalties, which would have a material adverse effect on our business and results of operations.

Prior to December 20, 2010, we had operated our wastewater treatment facilities without the Provisional Level A Qualification Certificate. At the time, we faced competition from other companies which we believe also did not possess the relevant Qualification Certificate. As we started formal operations of some of our wastewater treatment facilities before receiving the Provisional Level A Qualification Certificate on December 20, 2010, we may be subject to a total fine not exceeding RMB120,000.

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We are required by relevant PRC regulations to obtain the Pollutants Discharge Permit for the operation of each of our wastewater treatment facilities. Prior to applying for and obtaining such permits, we are required to apply for the checking and acceptance of our facilities within three months, or under certain circumstances within a year, after the commencement of trial operation of the relevant treatment facilities and passing such checking and acceptance. Trial operations without the Pollutants Discharge Permits do not constitute non-compliance. According to our PRC legal counsel, there will be no legal impediment for us to obtain the Pollutants Discharge Permit for such facilities after they have passed checking and acceptance. Upon completion of the checking and acceptance of the facility by the relevant authority, we will apply for the relevant Pollutants Discharge Permit. If we do not initially pass the required checking and acceptance, we will be required to rectify the problem and improve our facilities according to the governmental specifications and recommendations until we pass such required checking and acceptance. In such event, during the process of making such improvement to our facilities, our operations may be subject to disruptions, which could materially and adversely affect our business and results of operations. We have obtained the Pollutants Discharge Permit for our Guangzhou Xinzhou Industrial Park Treatment Facility, Longmen Xilin Treatment Facility, Yonghe Haitao Treatment Facility (Phase I and Phase II) and Huaihua Tianyuan Treatment Facility (Phase I). Details of our approvals, permits, licenses and certificates are set out in the sections headed “Regulations — Land Use Rights and Construction Land Planning Permit”, “Regulations — Water-Drawing Permit”, “Regulations — Environmental Protection” and “Regulations — Qualifications for the Operation of Environmental Pollution Treatment Facilities” in this prospectus.

As of the Latest Practicable Date, the wastewater treatment facility of the Yinglong Project owned by Guangzhou Yinglong had not passed checking and acceptance. According to our PRC legal counsel, if a wastewater treatment facility fails to pass the required checking and acceptance within three months after the commencement of its operation, the relevant governmental authorities may impose a deadline before which the checking and acceptance must be completed, order the termination of any operation at the relevant facility, or impose a fine of up to RMB50,000. As of the Latest Practicable Date, our Directors understand that the relevant governmental authorities are aware of the non-compliance by Guangzhou Yinglong but have not imposed any deadline, ordered any termination or imposed any fine on Guangzhou Yinglong. However, we cannot assure you that our wastewater treatment facility of the Yinglong Project could pass the necessary checking and acceptance, the failure of which will affect our investment in Guangzhou Yinglong and in turn affect our results of operations. Details of the historical non-compliance incidents in respect of Guangzhou Yinglong are set out in the section headed “Business — Legal and Regulatory Compliance” in this prospectus.

Longmen Xilin was listed as a “yellow card enterprise” because the level of coliform bacteria count of the wastewater sample collected pursuant to a site inspection conducted in December 2011 by the Guangdong Provincial Environmental Monitoring Center exceeded the level prescribed under the relevant laws and regulations. Please refer to the section headed “Business — Environmental Matters — Environmental Warning” in this prospectus for further details. On July 15, 2013, the Guangdong Provincial Environmental Protection Department has published on its website the result of the 2012 annual credit rating, according to which Longmen Xilin has been listed as a “green card enterprise”. However, we cannot assure you that Longmen Xilin could continue to maintain such status going forward.

We cannot assure you that we can rectify all of our historical non-compliance incidents and that our historical non-compliance incidents will not result in a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we will be able to continue complying with applicable environment protection laws and regulations in the future.

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We rely substantially on the local governments for the development and operations of our BOT projects and the local governments may withdraw the concessions and terminate the agreements should we breach the terms of our agreements with them or fail to implement projects which fully satisfy their requirements or expectations

The development and operations of our BOT projects are subject to the terms of the contracts with the local governments. As the local governments generally have stronger bargaining power than us, the local governments may demand provisions that are not favorable to us or otherwise impose additional obligations on us in the contracts. For example, we may be required by the relevant agreement to provide a performance warranty to the local government for our BOT projects. The total amount may be refunded to us in installments according to the stage of completion of the project construction. However, if there is any delay in operation caused by us, the local government may deduct a penalty amount calculated per day of delay from the performance warranty as compensation for damages.

In some cases, the government may also withdraw the concession and terminate the agreement without compensation if we fail to complete the construction according to the time and specifications as prescribed in the agreement, or if the wastewater discharged constantly fails to meet the discharging standards as stipulated in the agreement after having been given the opportunity to remedy the problem.

During the Track Record Period, we were not notified by any relevant government authorities of any failure to complete construction according to a stipulated timeline or to meet stipulated discharging standards for any of our BOT projects. However, we cannot assure you that the local governments will not withdraw the concessions or terminate our agreements in the future.

Pursuant to our concession agreements, we are typically required to carry out repairs before the concession period expires to ensure that the treatment facilities operate properly after the transfer. We cannot assure you that we will be able to successfully carry out such repairs to ensure that the treatment facilities operate properly after the transfer. In addition, for Huaihua Tianyuan Treatment Facility (Phase I), we are required to provide a warranty for a period of 12 months following the transfer and the local government could retain 30% of the wastewater treatment service fees received in the last two years of the concession. Should the treatment facilities fail to operate properly during the warranty period as a result of the quality of our facilities, we may not be able to recover the money retained by the local government.

In addition, for our Yonghe Haitao Treatment Facility (Phase I), we are currently providing wastewater treatment services to a third party other than to the local government. Although we have sought and obtained the government's consent before our provision of such services, we cannot guarantee that the government will not withdraw such consent in the future. In the event that the local government withdraws the concession for our BOT projects, our tariff payments received may not be sufficient to cover our investment cost and we may not be able to receive any compensation for the investment we have made, which could be material, and this could materially and adversely affect our business, financial condition and results of operations.

The loss of any one or more of our significant customers could have a material adverse impact on our business, financial condition and results of operations

For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, turnover from our five largest customers amounted to HK\$186.3 million, HK\$211.9 million, HK\$148.1 million and HK\$56.9 million and in aggregate accounted for 51.5%, 45.9%, 38.6% and 42.6% of our total turnover, respectively, and turnover from our largest customer amounted to HK\$80.6 million, HK\$106.0 million, HK\$46.4 million and HK\$14.2 million and accounted for 22.3%, 22.9%, 12.1% and 10.6% of our total turnover, respectively. Our significant customers may cease or significantly reduce their use of our services due to declining demand for their products or services,

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financial difficulties, disruptions to operations due to restructuring events, non-compliance with regulatory requirements or other reasons. If the operations of any one or more of our significant customers experience significantly reduced activities or temporary or prolonged suspensions, the amount of services we provide to them will decline and, accordingly, our turnover will be adversely affected due to the reduced service income and utilization of our capacity. Hence, the loss of any one or more of our significant customers that historically have individually accounted for a significant portion of our turnover could have a material adverse impact on our business and our results of operations.

In particular, for our BOO projects, we rely on certain key customers mainly in the textile industry. As we mainly service manufacturing companies in designated industrial parks associated with these projects, our business depends heavily on the number of customers operating in these industrial parks and their production level, which correlates with the demand for our wastewater treatment and industrial water supply services. However, the number of customers operating in the industrial parks we service and their production level are influenced by various factors beyond our control, such as general economic conditions and demand for their products. Despite forward planning and discussion with the local governments, the development of the industrial parks may not turn out to be successful and they may fail to attract suitable manufacturers to achieve the occupancy level or economies of scale as anticipated. In the event that a customer in the industrial park ceases operations or moves out of the industrial park, our business may be disrupted if the vacancy in the relevant industrial park is not promptly filled by another suitable customer. It may be difficult to find a suitable replacement that can utilize the facilities of the previous occupant. The loss or interruptions in the business operations of our significant customers or a significant decrease in demand for our services from our significant customers would have a material adverse effect on our business, financial condition and results of operations.

Our customers may make claims against us and/or terminate our services in whole or in part prematurely should we fail to implement projects on time or fully satisfy their requirements and expectations

As of the Latest Practicable Date, we had a number of projects, such as our Sichuan Guangyuan Industrial Park Treatment Facility (Phase I) and Yonghe Haitao Treatment Facility (Phase III), under construction. We cannot assure you that the development of our projects will not be delayed or that these projects will meet the requirements and expectations of our customers. Failure to implement or complete projects to the satisfaction of our customers or failure to comply with relevant governmental policies and standards, or defective systems may lead to claims against us and/or termination of our services in whole or in part prematurely. This may arise from unsatisfactory design or workmanship, staff turnover, human errors, untimely delivery of services, default by our subcontractors, misinterpretation of and failure to adhere to regulations and procedures. This may adversely affect our profits and reputation.

For our BOO projects, we cooperate with the local government on the development of the relevant industrial park, starting from the master-planning process, followed by design, construction and commencement of operation of our facilities. We further collaborate with the local government in attracting potential customers to join the industrial parks. Any delay in the project management process or delays in the general development of the industrial park (including the number of the customers in the industrial park and their production level) may adversely affect our results of operations. In the event that the contracts for any of our projects are terminated due to disputes with our customers, our reputation may be negatively affected which may adversely affect our ability to secure new projects. In addition, in the event we are found liable for delays or failure to complete projects to the satisfaction of our customers, we may be required to compensate our customers for their

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losses, which could be material amounts, and this could materially and adversely affect our business, financial condition and results of operations. We may not be able to receive any compensation for the investment we have made. Please refer to the section headed “Business — Key Contract Terms” in this prospectus for more information on termination of our contracts.

We may require additional funding for our capital intensive projects and our inability to borrow additional amounts or refinance our debt could adversely affect our results of operations and financial condition and prevent us from fulfilling our financial obligations and business objectives

Our business and operations are capital intensive as we require a significant amount of capital to expand our operations as well as maintain and operate our wastewater treatment and industrial water supply plants. In particular, we normally require a considerable amount of capital to expand, acquire land use rights, construct wastewater treatment facilities and purchase property, plant and equipment to meet our business needs. We seek to strengthen our market position in China by expanding our capacity and further adapting and applying our technologies to other industries. Details of the capital expenditures we incurred during the Track Record Period and we plan to incur for the year ending December 31, 2013 are set out in the section headed “Financial Information — Capital Expenditures” in this prospectus.

Our BOT and BOO projects typically require significant initial cash outlays. These projects require us to make substantial financial investments during the construction phase of the projects, which typically lasts approximately six to eight months. We are responsible for the costs of construction of the wastewater treatment or industrial water supply facilities, as well as the cost of operations, repairs and maintenance of the treatment facilities during the life of these facilities or with respect to the BOT projects, the respective concession periods. We have also been responsible for the land acquisition costs for our BOO projects. We typically receive no payment from our customers before or during the construction phase when we make substantial capital investments. For example, we generally do not receive any payment during the construction phase of our BOT projects. After the construction is completed and commercial operations of the relevant facilities have commenced, we receive regular payments from our customers.

As of the Latest Practicable Date, we had a number of projects under construction. We expect to continue to identify and develop new projects which will require significant investment. Pursuant to applicable regulations, we are required to fund at least 20% of total project investment amounts through internal resources. In practice, the percentage of funding from our own resources varies on a project-by-project basis and we intend to fund at least 30% of total project investment amounts from internal resources and therefore, we obtain up to 70% of the total project investment amount from external sources, such as bank borrowings.

Given that a substantial portion of our capital expenditures are incurred in advance of any actual cash payments, our success is heavily dependent on our ability to continue to secure and successfully manage sufficient amounts of working capital. These additional fundings for our business and operations may be raised by issuing equity or debt securities or by borrowing from banks or other resources. Our ability to obtain project financing is subject to a number of uncertainties, including, among other things:

- regulatory approvals to raise financing in the domestic or international markets;
- our financial condition, results of operations, cash flows and credit history;
- the conditions of the global and domestic financial markets; and
- changes in PRC monetary policy with respect to bank lending practices and conditions.

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Moreover, certain land use rights, buildings and certain charging rights of wastewater treatment and industrial water supply relating to some of our subsidiaries, are mortgaged or pledged in connection with our existing bank loans. If we fail to obtain additional financing on terms that are acceptable to us, we will not be able to implement such plans fully. Such financing, even if obtained, may be accompanied by conditions that limit our ability to pay dividends or require us to seek lenders' consent for payment of dividends or taking other corporate actions. Pursuant to certain loan agreements, Guangzhou Kaizhou, Guangzhou Xintao, Guangzhou Haitao and Guangzhou Yinglong are restricted by certain covenants from making distributions to their respective shareholders. These covenants restrict our subsidiary borrowers from paying dividends until the relevant loan is fully repaid, and subordinate shareholder loans to the bank loans. These restrictions may limit the funds available to pay dividends to our Shareholders. Furthermore, in the event we raise additional funds by way of a limited placement or by a rights offering or through the issuance of new Shares, Shareholders who are unable or unwilling to participate in such an additional round of fund raising may suffer dilution in their investment. If adequate working capital is not available to us in a timely manner and on favorable terms or at all, we may not be able to develop or expand our business and, therefore, our business, financial condition and results of operations may be materially and adversely affected.

Our existing loan terms have amortization schedules of up to 15 years. We typically finance our projects with external financing from bank loans in addition to our own funds. Generally, project loans for our BOO projects are secured by the relevant project company's assets where such assets are to be pledged to the relevant banks. Further, these loans are secured by the charging rights of wastewater treatment under the relevant concession agreements during the respective concession periods. We cannot assure you that we will be able to roll over the loans for our projects in the amount we need or at the time we need upon the expiration of the current term of the loans. If we incorrectly forecast the amount of our internally generated funds, we may not have sufficient funds to finance the operating needs of our projects not met by the loans.

Any failure by us to properly perform our obligations in respect of these projects may lead to a reduction in our returns and may even lead to the loss of all or part of our initial capital investments. As a result, we may not be able to undertake or acquire new projects as we plan and our business, financial condition and results of operations may be materially and adversely affected.

In addition, PBOC regulates the reserve requirement ratios for commercial banks in the PRC. PBOC is also responsible for setting and publishing the benchmark lending rate, the movement of which may affect our finance costs. The reserve requirement refers to the amount of funds that financial institutions must hold in reserve with PBOC against deposits made by their customers. Increases in the bank reserve requirement ratios may negatively impact the amount of funds available to commercial banks in China to lend to businesses, including us. The benchmark one-year lending rate is currently 6%, effective on July 6, 2012. The current reserve requirement ratio, which took effect on May 18, 2012, ranges from 16.5% to 20.0%. We cannot assure you that PBOC will not further raise the reserve requirement ratios in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments.

We are dependent on our key management team and technical specialists

We attribute our success to the leadership and contributions of our management team. Our continued success is therefore dependent to a large extent on our ability to retain the services of these key management personnel. The loss of their services without timely and suitable replacement will adversely affect our operations and, hence, our turnover and profits.

From our experience, owing to the specialized nature of our work, there is a limited supply of adequately skilled technical specialists, including engineers. Our continued success and the

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implementation of our expansion plans depend largely on our ability to attract and retain skilled technical specialists. If we are unable to attract and retain a sufficient number of suitably skilled and qualified technical specialists, our financial condition and results of operations would be materially and adversely affected.

Our business relies heavily on technologies and techniques that are subject to continuous changes and we cannot assure you that our research and development initiatives will continue to enable us to remain competitive in the industries where we conduct business

Our continued success and competitiveness in the industries where we conduct business depend on our ability to develop and improve our technologies and techniques. These technologies and techniques are subject to continuous evolution and changes. We cannot assure you that we will be able to keep up with changes in technology and techniques in a timely manner or at a reasonable cost. If we are unable to continue developing our technologies and techniques or if there are fundamental technological changes in the industry to which we cannot adapt, we may not be able to remain competitive in our industries, and our business, results of operations and financial condition could be materially and adversely impacted.

Unauthorized use of our technology or any claims or litigation that we may initiate in the future to protect our intellectual property rights may have material adverse impact on our business

For our unpatented technologies, we currently rely on confidentiality pledges by our executive officers and research and development personnel to protect our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology. Monitoring unauthorized use of our intellectual property is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology. Additionally, applicable laws may not fully protect our intellectual property rights. Any claims or litigation that we may initiate in the future to protect our intellectual property rights could be time consuming and expensive, diverting resources from our business regardless of whether or not the disputes are decided in our favor. Moreover, any significant infringement upon our technologies and techniques could weaken our competitive position, increase our operating costs and have an adverse effect on our operations.

We may infringe on the intellectual property rights of others and may be unable to adequately safeguard our technology, and we may face claims that may be costly to resolve or limit our ability to use such technology in the future

As we expand our business and increase our geographical coverage, third parties may assert that our technologies or techniques violate their intellectual property rights. Successful intellectual property claims against us could result in significant financial liability or prevent us from operating our business or parts of our business. In addition, resolution of claims may require us to redesign our technology, to obtain licenses to use intellectual property belonging to third parties, which we may not be able to obtain on reasonable terms, or at all, or to cease using the technology covered by those third party rights. Furthermore, if a third party successfully obtains intellectual property rights to an industrial know-how which we are using but is not protected by any intellectual property rights of our own, we may need to obtain licenses to use such know-how in the future. Any of these events could adversely affect our business, financial condition and results of operations.

Furthermore, while we take care to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights which may force us to alter our technologies, obtain additional licenses or cease significant portions of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims. Regardless of whether such claims that we or our technology providers are infringing patents or other intellectual property rights have any merit, those

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claims could adversely affect our relationships with current or future customers, result in costly litigation, cause product shipment delays or stoppages, divert management's attention and resources, subject us to significant liabilities, require us to enter into additional royalty or licensing agreements or require us to cease certain activities.

An adverse ruling arising out of any intellectual property dispute could subject us to significant liability for damages, prevent us from using technologies or developing products, or require us to negotiate licenses to disputed rights from third parties. Although patent and intellectual property disputes in the technology area are often settled through licensing or similar arrangements, costs associated with these arrangements may be substantial and could include license fees and ongoing royalties, which could be prohibitively expensive. Furthermore, necessary licenses may not be available to us on satisfactory terms, if at all. Any of the foregoing could adversely affect our business, financial condition and results of operations.

We depend on independent contractors and the loss of a significant contractor and/or a dispute with a contractor could have a material adverse effect on our results of operations

We depend on the availability of third-party contractors for the development of our treatment facilities, including the construction of the facilities, the installation of treatment systems and equipment and the supply of certain key construction materials. We do not have any direct control over the timing or quality of services or supplies provided by these contractors. We cannot assure you that such skilled contractors will continue to be available at reasonable rates in the areas in which we conduct our operations, and we may be exposed to risks relating to the quality of their services and supplies. A contractor who has performed satisfactorily in one area may not be able to perform in the same manner in another area and hence identification of a good local contractor is essential, which may not be possible at all times.

Our investment in our associate, Guangzhou Yinglong, may not guarantee a share of profits

We have a 46% interest in our associate, Guangzhou Yinglong, which owns the Yinglong Project. The return on our investment in Guangzhou Yinglong depends on the profitability of Guangzhou Yinglong. We record share of profits from Guangzhou Yinglong on our income statement using the equity accounting method. For the year ended 31 December 2012, we recorded share of profits of Guangzhou Yinglong of RMB23.2 million, accounting for approximately 13.1% of our profit for the year. The Yinglong Project, like all our other wastewater treatment projects, is subject to operational, financial, industry, legal, regulatory and other risks relevant to the wastewater treatment business. If the business and financial performance of Guangzhou Yinglong is adversely affected by any of these factors, we may not be able to share any profits from our investment in Guangzhou Yinglong and our profit for the year will also be affected. In addition, any share of profits of Guangzhou Yinglong will not be realized unless and until we receive a dividend distribution from it. For more details on the Yinglong Project, please refer to "History and Reorganization — Acquisition of 46% interest in Guangzhou Yinglong" in this prospectus.

Our disputes with the other shareholders of Guangzhou Yinglong may have an adverse effect on our results of operations

Co-operation and agreement between us and the other shareholders of Guangzhou Yinglong on the Yinglong Project are paramount for the smooth operation and financial success of such project. Our investment in Guangzhou Yinglong may involve risks associated with the possibility that the other shareholders of Guangzhou Yinglong may (i) have economic or business interests or goals that are inconsistent with ours, (ii) be unable or unwilling to fulfill their obligations under the relevant agreements, or (iii) experience financial or other difficulties. Further, we may not be able to control the decision-making process of Guangzhou Yinglong, because we do not hold a majority interest in Guangzhou Yinglong. While we do not currently experience any significant problems with the other

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shareholders of Guangzhou Yinglong, we cannot assure you that disputes among our Group and the other shareholders of Guangzhou Yinglong or among the other shareholders of Guangzhou Yinglong will not arise in the future or that such disputes will not have a material adverse effect on our business, financial condition or results of operations.

Our projects are subject to construction and operational risks

Developing wastewater treatment and industrial water supply projects or conducting our complementary business involves various risks, including, among others, construction and operational risks. The construction and operation of our projects, including any new project that we undertake, could be adversely affected due to a number of factors, including:

- the contractors hired by us may not be able to complete the construction or installation work of our projects on time, within budget or to the specifications or standards we have set out in our contracts with them;
- shortages of, and price increases in, equipment, materials or skilled or unskilled labor;
- changes in laws and regulations, or in the interpretation or enforcement of laws or regulations, applicable to our projects;
- industrial accidents during construction or operations of our treatment facilities;
- weather interferences or delays, or fire, typhoons or other natural disasters;
- engineering, construction, regulatory and equipment problems;
- our raw material suppliers for our projects may not supply the same raw materials in the expected quantities/quality or at all;
- governmental or other statutory approvals or other approvals that are required for completion, expansion or operation of our projects may be delayed or denied;
- delays in completion or commercial operation could increase the financing costs associated with the construction;
- we may not be able to obtain adequate working capital or other financing for the construction or operations of our projects;
- we may not be able to accurately estimate the pollutants in the feed wastewater or industrial water supply; and
- other unanticipated circumstances or cost increases may occur.

We may not achieve the economic benefits expected from our projects and the failure to obtain the expected economic benefits could adversely affect our business, financial condition and results of operations. We cannot assure you that our current or future projects will be completed, or, if completed, that they would be completed on time or within the budget.

We are exposed to the credit risk of our customers

We are subject to the credit risks of our customers and our cashflow is dependent on on-time payments from our customers for services we provide to them. Trade receivables turnover days for 2010, 2011, 2012 and the four months ended April 30, 2013 were 54.2 days, 71.5 days, 75.8 days and 91.5 days, respectively. For customers, including local governments, involving payment for treatment of industrial wastewater and industrial water supply as well as municipal wastewater, we generally grant a credit period ranging from 5 to 30 days. Please refer to the section headed “Financial Information — Certain Selected Balance Sheet Items — Trade and Other Receivables” in this prospectus for the reasons for the increase in our trade receivables turnover days during the Track Record Period and the reasons for our trade receivables turnover days were longer than our average credit period.

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We cannot assure you that we will be able to collect all or any part of our trade receivables within the credit terms granted by us, or at all. In addition, if any of our customers were to go into liquidation or bankruptcy, we might not be able to receive full or any payment of uncollected sums due to us or enforce any judgment debts on such customers. Global economic downturns may cause customer defaults to increase and we may need to make greater provisions for receivables, particularly for receivables from our industrial customers who may be more significantly impacted by the downturn. Non-payment or delay in payments by our customers could materially and adversely affect our business, financial condition and results of operations. Please refer to the section headed “Financial Information — Market Risks — Credit Risk” in this prospectus for further details.

We are dependent on third parties for the supply of equipment and raw materials

Our business is significantly affected by the availability, cost and quality of the equipment and raw materials, which we need in order to construct, develop, operate and maintain our treatment facilities. We require the continued support of certain equipment manufacturers to supply necessary services and parts to maintain our projects at affordable cost. If we are unable to procure the required services or parts from these manufacturers in a timely manner (for example, as a result of the suspension of operations or bankruptcy of the manufacturer), or if the cost of these services or parts exceed our budgeted cost, there may be an adverse effect on our business, financial condition and results of operations. We may not be able to recover from a contractor or supplier. For further details, please refer to the section headed “Business — Raw Materials and Equipment” and “Business — Suppliers” in this prospectus. The prices and supply of equipment and raw materials depend on factors beyond our control, including economic conditions, competition, availability of quality suppliers, production levels and transportation costs in the PRC.

Although we may enter into contracts with our suppliers and provide for price contingencies in our contracts to limit our exposure, if, for any reason, our primary suppliers of equipment and raw materials should curtail or discontinue their delivery of such materials to us in the quantities we need, provide us with equipment and raw materials that do not meet our specifications, or at prices that are not competitive or not expected by us, our ability to meet our material requirements for our projects could be impaired, our construction schedules and operations could be disrupted and our business and results of operations could suffer.

We currently source the majority of our suppliers locally. In the event that our suppliers cease to be able to supply us or that they relocate to a new region, we may need to find new reliable local suppliers and we cannot assure you that we will be able to locate a replacement in a timely manner or at all. Failure to find a suitable replacement could jeopardize or cause a delay in the delivery of our supplies, which could materially and adversely affect our business and results of operations. For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, purchases of raw materials (including heat) from our five largest raw material suppliers (including our heat supplier) amounted to HK\$29.6 million, HK\$66.7 million, HK\$73.9 million and HK\$33.7 million and in aggregate accounted for 90.2%, 84.7%, 77.7% and 87.4% of the total cost of raw materials, respectively. For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, the purchase of raw materials from our largest supplier amounted to HK\$16.3 million, HK\$23.1 million, HK\$54.6 million and HK\$26.8 million and accounted for 49.6%, 29.3%, 57.5% and 69.4%, respectively, of our total cost of raw materials. If any of our key suppliers for a particular project is unable to continue providing the raw materials we need, or fail to supply the necessary services and components to maintain our equipment, at prices and on terms and conditions we consider acceptable, we may need to obtain these items from other suppliers and our business and results of operations could suffer as a result. Furthermore, we may not be able to recover our losses from a contractor or supplier.

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Excessive pollution of the raw water or wastewater supplied to our treatment plants may adversely affect our earnings

Our wastewater treatment and industrial water supply facilities are built to treat raw water or wastewater that fall within certain water quality specifications. For example, in the event that the COD level — which is one measure of water pollution — is higher than the specifications of our treatment facilities, and depending on the extent of such deviation, it may not be possible for the raw water or wastewater supply to be treated, or to be treated to attain the water quality standards provided under our agreements with our customers, within the cost structure contemplated by such agreements, or to meet governmental requirements. For example, the raw water could be polluted by contaminants, and the wastewater may contain pollutants beyond the types and quantity as contemplated, due to industrial accidents, excessive discharge, oil spills, or other events. An excessive pollution of the water or wastewater supply to our treatment plants may cause a temporary suspension of operation of our facilities, such as the suspension of operation of our Huaihua Tianyuan Treatment Facility (Phase I) from mid-July to October 2012, which will in turn adversely affect the operating costs and earnings of such plants due to the higher costs of treating the water or wastewater to attain the quality standard specified in the agreements with the local government or our customers or due to lower turnover from a reduction in water output. In the event of a suspension of operation, the volume of wastewater treated at the relevant facility would be lower than the guaranteed minimum treatment volume and we will need to spend additional time and effort to negotiate with the relevant governmental authority for the actual compensation plans, including the enforcement of the clause providing for the guaranteed minimum tariff under the relevant concession agreement, and with the relevant end users for upward adjustment in the tariffs. Any failure to meet the applicable governmental standards may subject us to governmental sanctions. Such excessive pollution could also damage our wastewater treatment and industrial water supply facilities.

We may be adversely affected if there is any significant downtime of our wastewater treatment and industrial water supply plants

Normal wear and tear of our treatment plants is a natural consequence of operations in wastewater treatment and industrial water supply services industry. Normal wear and tear results from exposure to the elements and deterioration of equipment, whether from use or otherwise. As a result, our plants may require periodic downtime for repairs and maintenance. However, if the time and cost required for such repairs and maintenance exceeds our expectations, our turnover may be less than what is currently projected. In addition, if any extraordinary or extensive repairs to our plants or equipment are required, due to any catastrophic event or otherwise, our plants could require significant downtime during which such plants would not be available to treat raw water for supply to consumers or to treat wastewater for discharge. Any significant downtime of our plants may also have far-reaching consequences to the surrounding industries, and could lead to termination of agreements with our customers, which may include the local governments. In the event of any such extraordinary or extensive repairs and maintenance, our operations could experience major disruptions. The inability to use our plants could adversely affect our financial condition and results of operations.

Our insurance coverage may not adequately cover the risks related to our business and operations

We may be subject to liabilities against which we are not insured adequately or at all or liabilities against which we cannot insure. For BOO projects we maintain employee group insurance with China United Property Insurance Company Limited and commercial property insurance with China Pacific Property Insurance (Group) Co., Ltd, respectively. Those insurance policies, for example, cover property damage arising from certain accidents on our property. If significant property damage

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occurs to our BOO facilities due to natural disasters or other events, our insurance policies may not adequately cover the losses that we incur and our business may be adversely impacted, potentially leading to a loss of assets, lawsuits, employee compensation obligations or other forms of economic loss. We do not maintain property insurance for the raw materials used in our operations.

As advised by our PRC legal counsel, we are not obliged to take out insurance on our projects under PRC law. We do not maintain insurance for our projects. In addition, we cannot predict the continued availability of insurance at acceptable premium levels or at all, and as such, our insurance policies may not continue to be available at economically acceptable premiums. Moreover, we cannot obtain certain types of insurance at a reasonable cost or at all. For example, insurance covering losses from acts of war, terrorism or natural catastrophe is either unavailable or cost prohibitive. We cannot assure you that our insurance policies are sufficient to cover all risks associated with our business and operations. Losses incurred for liabilities not sufficiently covered by our insurance policies may have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to adjust the prices charged for our services to fully reflect any increase in our actual costs

For projects involving municipal wastewater treatment services and certain of our BOT projects involving industrial wastewater treatment services, we operate and maintain existing wastewater treatment facilities in exchange for a monthly fee, which is calculated based on treatment volume, from the local government with respect to municipal wastewater treatment. The fee we receive for the provision of treatment services under our BOT contracts typically includes a guaranteed tariff based on a guaranteed minimum treatment volume together with an additional tariff for wastewater treated in excess of the minimum volume. Such tariff rates are pre-determined at the time we enter into the project agreement with the local government. The tariffs for such BOT projects are generally linked to certain local benchmark prices or key cost indices such as the consumer price index, labor costs and utilities charges. Adjustments to tariffs are generally subject to agreement by various government authorities. Any adjustments agreed to with the local government, may or may not be timely or sufficient to offset such increases. For our BOT projects, the concession agreements contain provisions specifying the circumstances when the parties can adjust the tariffs, generally by reference to inflation and/or changes in benchmark interest rate on loans or utilities charges. The tariff adjustments are subject to the government's consent. Generally, we expect that we will obtain the government's consent within one to two months. During the Track Record Period, we had not adjusted tariffs for our BOT projects.

Similar to BOT, we expect our planned O&M project model to be conducted according to an O&M agreement, under which we operate and maintain existing water supply and wastewater treatment facilities in return for a fee. We may not be able to adjust prices for our planned O&M projects after an O&M agreement is signed, which may adversely affect the profitability of our business in the future.

We cannot assure you that the relevant government authorities will approve our applications to increase the tariffs. We also cannot assure you that the relevant government authorities will not reduce the tariffs correspondingly should the relevant benchmark prices or key cost indices decrease. Furthermore, even if the relevant government agrees to an adjustment to the tariff, we cannot assure you that such adjustment will fully reflect any increase in our actual costs. If we incur significantly higher operating costs without a corresponding increase in the tariffs or in the event of a reduction in tariffs, we may not be able to sustain our profitability or we may even incur a loss, and our financial condition and results of operations may be materially and adversely affected.

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Our BOO projects are generally not subject to fixed tariffs, and thus we have greater flexibility in formulating our pricing policy and have more latitude in passing increased costs to our customers. For these projects, the relevant local government usually recommends a maximum price for our wastewater treatment or industrial water supply services, taking into account several factors such as, among others, labor costs, utilities charges, other operating costs, market conditions and project investment. The recommended maximum price serves as a guide and is subject to further negotiation with the customers. If we wish to increase our prices beyond the recommended maximum price set by the local government, we can apply to the relevant governmental authority and provide supporting documentation justifying such increase in the recommended maximum prices. We understand that the application to increase the recommended maximum tariff will generally take approximately one month. Under the contracts with our customers at Guangzhou Xinzhou Industrial Park Treatment Facility, we are generally entitled to adjust the prices according to market conditions and national policies and regulations. During the Track Record Period, we periodically reviewed and adjusted the prices for treatment of various types of wastewater and industrial water supplies in accordance with the prevailing conditions of the industrial park taking into account, amongst others, the changes in operating costs. According to our PRC legal counsel, we have the ability to increase the prices for such projects in the future and even if our increased tariffs exceed the range set forth in the voluntary pricing guideline, we will not be subject to any form of penalty by the local government. However, as a practical matter, in the event that we increase our prices in the future beyond the pricing guideline, we may not be able to successfully negotiate agreements with our customers for such projects.

Our inability to maintain our competitiveness could adversely affect our financial performance

The wastewater treatment and industrial water supply services industry in China is highly fragmented and competitive, with a large number of service providers throughout the country. We compete primarily with wastewater treatment and industrial water supply companies in the PRC and new entrants to the market, some of which may have a lower cost structure than us due to lower capital expenditures or lower labor costs. In addition, other companies, such as foreign wastewater treatment and industrial water supply companies, may try to enter the BOO project market or otherwise compete with us in providing centralized wastewater treatment and industrial water supply services. We cannot assure you that we will be able to compete successfully in our existing markets or in the new markets where we are expanding. Failure to maintain our competitiveness and any increase in competition may materially and adversely affect our business, financial condition and results of operations. Please refer to the section headed “Business — Competition” in this prospectus for more information about our major competitors.

We may be unable to sustain our historical gross profit margins for our BOT projects involving municipal wastewater treatment services

In general, gross profit margin for industrial wastewater treatment services is higher than that for municipal wastewater treatment services, according to the Ernst & Young Report. For the years ended December 31, 2010, 2011 and 2012, most of our BOT projects involving municipal wastewater treatment services had an average gross profit margin that was comparable to that of our BOO projects involving industrial wastewater and industrial water supply services for the same periods. The relatively high gross profit margin of our BOT projects involving municipal wastewater treatment services during the Track Record Period was primarily attributable to a lower level of pollutants in the wastewater discharged throughout the same period and the minimum guaranteed tariffs that we received in 2010 when the actual wastewater volume was lower than the guaranteed volume during the initial operation of new facilities. For more details, please refer to the section headed “Financial Information — Description of Selected Income Statement Line Items — Gross profit and gross profit margin” in this prospectus. Our ability to sustain our profit margin for our BOT projects involving

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municipal wastewater treatment services depends on a number of factors, including the level of pollutants in the wastewater discharged, the volume of wastewater treated and changes in the operating costs of our services. A number of these factors are beyond our control. We cannot assure you that we will be able to sustain our historical levels of gross profit margins for our BOT projects involving municipal wastewater treatment services in the future.

Inaccurate estimates in applying percentage-of-completion accounting for our BOT projects may result in a reduction of previously reported profits and have a significant impact on our period-to-period results of operations

We use the percentage-of-completion method to recognize and account for the turnover derived from our construction contracts in progress for our BOT projects. We used an independent property valuer to value the construction services for our BOT projects during the Track Record Period which forms a basis for us to estimate the total turnover for the construction phase. During the Track Record Period, in determining the percentage of completion for each relevant reporting period, we used the actual construction cost incurred during the period over the total budgeted construction cost during the entire construction phase. Going forward, we need to estimate the amount of construction costs based on our assessment of, among other things, the market conditions and the costs of raw materials and equipment and other operating costs. The timing of our recognition of turnover may differ materially from the timing of our actual receipt of contract payments. The timing of our recognition of turnover and the amount of turnover recognized are affected by our ability to reliably measure the percentage of completion, total estimated costs and actual costs incurred. Inaccuracies or flaws in our measurements for any given project or in our estimation methodology as a whole could have a material and adverse effect on the timing of our recognition of turnover and the amount of turnover recognized. Where our expectation related to turnover recognition is different from our previous estimation, the differences will be charged to our profit or loss account in the period when such estimate has been changed. In addition, as many of these contracts are completed over a period of several months or years, the timing of our recognition of the related turnover may adversely affect our results of operations.

Failure to achieve the projected utilization of the facilities we operate may adversely affect our earnings

Each of our projects has been or will be built to a specified designed capacity in accordance with the terms of the relevant agreement with the local government. The utilization rate of our treatment facilities depends on a number of factors including the size of the population, the types of industries of our customers, the general economic conditions and the level of industrialization in the area serviced by the relevant facilities. We cannot assure you that the facilities we operate will be able to achieve the forecast utilization of their design capacity, which may adversely affect our results of operations. If the facilities we operate are not utilized to their designed capacity, we may not generate the turnover and profit we had expected from the relevant projects, which could have a material and adverse effect on our business, financial condition and results of operations.

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The preferential tax treatment we currently enjoy may be unfavorably changed or discontinued

According to the Notice of Ministry of Finance and State Taxation Administration on Value Added Tax Policy of Comprehensive Utilization of Resources and Other Products (《財政部、國家稅務總局關於資源綜合利用及其他產品增值稅政策的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on December 9, 2008 and amended on April 1, 2013, the state exempts the wastewater treatment services from value added tax from January 1, 2009. Wastewater treatment services is the business through which the wastewater (including municipal sewage and industrial wastewater) will be dealt with to satisfy the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) or the direct discharge limit regulated under the national and local water pollutants discharge standard. Currently, pursuant to the Ministry of Finance, the State Administration of Taxation on Comprehensive Utilization of Resources and Other Products Value-Added Tax Policy Notice (《財政部、國家稅務總局關於資源綜合利用及其他產品增值稅政策的通知》), Guangzhou Haitao, Longmen Xilin, Guangzhou Xintao, Guangzhou Yinglong and Huaihua Tianyuan are exempt from paying PRC value-added tax on the provision of their respective wastewater treatment services. We cannot assure you that such exemption that we currently enjoy will not be cancelled.

In addition, in order to encourage the construction of environmental protection projects, entities carrying out environmental protection projects, or energy and water saving projects, which meet relevant requirements are entitled to an exemption from PRC enterprise income tax on the income earned from such projects for the three years commencing from the first income-making year of operations, and thereafter, are entitled to a 50% reduction in PRC enterprise income tax for the next three years in respect of such income. Currently, pursuant to Article 88 of the PRC Enterprises Income Tax Law Implementation Regulations (《中華人民共和國企業所得稅法實施條例》), the wastewater treatment income derived from our Longmen Xilin Treatment Facility, Yonghe Haitao Treatment Facility, Huaihua Tianyuan Treatment Facility and Yinglong Project are exempted from enterprise income tax for three years commencing from the first revenue-generating year of operations and thereafter, entitled to a 50% reduction from enterprise income tax for the next three years. Furthermore, Guangzhou Xintao applied for the status of high and new technology enterprise in 2012, and it was granted such status in November 2012, subject to renewal before the expiry of such status in 2015. As a result of being granted such status, Guangzhou Xintao is entitled to enjoy a reduced enterprise income tax rate of 15% for 2013 and 2014. Details of the preferential tax treatment we currently enjoy are set out in the section headed “Financial Information — Factors Affecting Our Results of Operation — Taxation” in this prospectus. We cannot assure you that the current policies in the PRC with respect to the preferential tax treatment we currently enjoy will not be unfavorably changed or discontinued, or that the approval for renewal of such preferential tax treatment will be granted to our PRC project companies in a timely manner, or at all.

The termination or expiry of the preferential tax treatment during the relevant periods or the imposition of additional taxes on us or our subsidiaries in China may significantly increase our tax expense and materially reduce our net income.

We may not be able to obtain an adequate and timely supply of electricity at reasonable prices or at all

Operation of our wastewater treatment and industrial water supply facilities and conducting our complementary business depend, among other things, on the adequate and timely supply of electricity. Our operations require a significant and stable supply of electricity, the use of which will further increase substantially as we expand our capacity. We currently obtain most of our electricity from the public electricity network. Many cities and provinces in China have suffered serious power shortages in recent years. Many of the regional grids do not have sufficient power-generating capacity to fully satisfy the increased demand for electricity driven by continued electric growth and persistent hot weather. To date, our operations in the PRC have not been materially affected by power supply

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shortages, and we maintain several standby generators to keep our key operations running in case of a power outage. However, we cannot assure you that we will always have access to sufficient supplies of electricity in the future to accommodate our requirements and planned business growth and that such power shortages will not cause disruptions and delays in our operation schedules in the future. If this were to occur, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may fail to integrate future acquired businesses successfully into our existing operations

As part of our expansion strategy, we intend to enhance our market position by increasing our business volume through the acquisition of companies with in-house R&D capabilities which complement our existing business operations. The implementation of such expansion strategy is subject to a number of risks, including:

- the failure to integrate the acquired business and its personnel into our existing business;
- higher costs of integration than we may anticipate;
- any delay or failure in realizing the expected benefits of the acquired business or its products or services;
- difficulties in obtaining regulatory approvals;
- changes in market circumstances and demands; and
- diversion of our management's time and attention from other business concerns.

Our ability to grow through acquisitions further depends upon our ability to identify, negotiate and complete suitable acquisitions, to adequately integrate the businesses we acquire and to obtain any necessary financing for such acquisitions. We cannot assure you that we will be able to implement our strategy successfully or that we will be able to make acquisitions or investments on favorable terms or within a desired time frame. Even if we are able to successfully acquire suitable businesses or make such investments, we cannot assure you that we will achieve our expected returns on such acquisitions or investments. If we fail to successfully integrate any acquired businesses into our existing operations, our business, financial condition and results of operations may be materially and adversely affected.

We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may be involved in disputes with various parties involved in our provision of wastewater treatment and industrial water supply services, including the local governments, suppliers, customers and contractors. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our development and operation schedule, and the diversion of resources and management's attention, regardless of the outcome. In addition, labor disputes at our treatment facilities could significantly disrupt our operations or our expansion plans. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties or delay or disrupt the development and operations of our wastewater treatment and industrial water supply facilities. In such cases, our results of operations and cash flow could be materially and adversely affected.

We have entered into letters of intent for two proposed wastewater treatment facilities, which may not be legally enforceable, and for which we may be unable to reach a final agreement

On April 21, 2011, Xi Zhou Enterprises entered into a letter of intent with Qingyuan Jingu Science Park Construction Office, whereby, among other terms, Xi Zhou Enterprises would be responsible for building a wastewater treatment facility in Qingyuan Jingu Science Park. On March

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19, 2013, our Company also entered into a letter of intent with the People's Government of Huaiji County, whereby, among other terms, our Company would be responsible for building and operating a wastewater treatment facility in the Guangfozhao Economic Cooperation Zone. We understand from our PRC legal counsel that both letters of intent are non-binding as to the parties and not legally enforceable under PRC law. As of the Latest Practicable Date, we had not reached any final and binding agreement with Qingyuan Jingu Construction Office and the People's Government of Huaiji County, and we cannot assure you that we will be able to reach any final and binding agreement with either entity on suitable terms or at all. For more details, please refer to the sections headed "Business — Our Projects — Proposed Qingyuan Jingu Wastewater Treatment Facility" and "Business — Our Projects — Proposed Guangfozhao Wastewater Treatment Facility" in this prospectus.

RISKS RELATING TO THE INDUSTRY

We are subject to risks associated with changes in regulations for wastewater treatment and industrial water supply services that may require new technologies

We are an established wastewater treatment and industrial water supply solutions provider, and in order to maintain our customer base and market share, we must ensure that we are able to continually provide relevant solutions to our customers that meet their needs. We are engaged in an industry where regulatory standards play a critical role in influencing the demand for our services. Any changes in legislative, regulatory or industrial requirements may render certain of our wastewater treatment and industrial water supply solutions obsolete.

Changes in regulations or standards for wastewater treatment and industrial water supply may necessitate the use of new technologies or the improvement of our existing technologies. For example, after the outbreak of SARS in 2003, higher standards for treatment of wastewater discharged by hospitals and clinics were imposed by the then State Environmental Protection Administration, currently the Ministry of Environmental Protection of the PRC, to prevent the spread of communicable diseases. We may need to develop new technologies or upgrade existing technologies, or upgrade existing facilities to meet the standards imposed by the relevant regulatory authorities, which will require higher financial, human and other resources. Our ability to anticipate changes in regulatory standards and to develop and introduce wastewater treatment and industrial water supply processes and to keep up with such new regulatory standards will be significant factors in our ability to grow and to remain competitive.

In the event that we are unable to develop or source for new and enhanced wastewater treatment and industrial water supply solutions to keep up with such technological changes in a timely manner and at reasonable cost, we may not be able to maintain our competitive edge and our market share, and our profits may be adversely affected.

Our industry is subject to economic and market conditions in China and other countries

Our overall financial results will depend substantially upon the economies of China and its principal export markets. Our results are also affected by local market conditions in the regions where we operate. We currently have treatment facilities in Guangdong and Hunan provinces, and we will also be subject to local market conditions in Sichuan and other provinces to which we plan to expand. Economic downturns in those areas could adversely affect our business. In addition, our industry is subject to fluctuations in supply and demand in the textile industry, paper and pulp making and food and beverage industries as well as other industries which we expand. Periods of relatively slow economic growth, a recession or public perception that a slowdown or recession may occur, especially in the regions or countries where the end users of products manufactured by our customers are located, may decrease the demand for our treatment services, thereby adversely affecting our sales and

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profitability. For example, during periods of slowing growth or recession, the textile industry may experience significant cutbacks in production which could substantially decrease the discharge of wastewater or the use of industrial water in the manufacturing process, which in turn could adversely affect demand for our treatment services.

Since 2009, the global financial markets have been affected by the Eurodebt crisis, resulting in substantial volatility in global equity securities markets and tightening of liquidity in global credit markets. While it is difficult to predict how long these conditions will exist and the extent to which we may be affected, these developments may continue to present risks to our business operations for an extended period of time, including a potential slowdown in our provision of services to customers, increase in interest expenses on our bank borrowings, or reduction in the amount of banking facilities currently available to us. The availability of credit to entities, such as ourselves, operating within emerging markets, is significantly influenced by the levels of investor confidence in such markets as a whole and any factors that may impact market confidence. Such factors may range from a mere decrease in credit ratings to a state or central bank intervention in a market. Since the start of the financial crisis in 2007, investors have grown more sensitive to market information, especially in relation to any credit difficulties. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads in credit markets, a reduction in available financing and a tightening of credit terms. Even though the market has been under positive adjustments since late 2009, it is difficult to predict whether such growth or recovery will persist and how long the repercussions of the Eurodebt crisis will continue to affect our business and the global economy as a whole.

We are subject to risks associated with changes in the current regulatory environment

We are currently in a regulatory environment where the PRC Government encourages the development of the environmental protection industry. Although the PRC Government has stated its intention to increase investment on the environmental protection industry going forward, we cannot assure you that it will end up spending such amount, or predict how and to what extent such increased investment will affect the wastewater treatment and industrial water supply services industry. You should not regard the PRC Government's intentions or announcements as an indication of the future prospects of our industry or our future performance. Furthermore, we cannot assure that such regulations or policies will achieve their anticipated results or that we can benefit from them. In addition, we cannot assure you that the regulations or government policies will continue to support the wastewater treatment and industrial water supply services industry and the development of specialized industrial parks or clusters. In the event that we cannot respond to regulatory changes in a timely manner, our competitive edge and our profits may be adversely affected.

Failure to comply with environmental, labor, health and safety laws and regulations in the PRC in which we operate, may adversely affect our business, financial condition and results of operations

In the normal course of our business operations, we are subject to various PRC laws and regulations relating to environmental and safety matters. Failure to meet the environmental laws and regulations in the PRC may result in governmental sanctions. The development of our projects and our continuing operations require the receipt of various required licenses, permits and authorizations, such as, among other things, building and zoning permits as well as environmental licenses. The discharge of waste and pollutants from our treatment process into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. Please refer to the section headed "Business — Environmental Matters" in this prospectus for further details. As we expand into sludge treatment business, we will be subject to a wider spectrum of environmental regulations. In addition, we cannot assure you that we will be able to comply with new legislations should the PRC Government impose stricter environmental, health and safety protection standards and regulations in the future.

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Any increase in compliance or other operating costs resulting from the implementation of additional environmental, health and safety protection measures and/or failure to comply with new environmental, health and safety laws or regulations may have a material adverse effect on our business, financial condition, results of operations or prospects.

Further, in accordance with relevant PRC labor laws and regulations, we are required to contribute to a number of employee social insurance schemes including medical, maternity, work-related injury, unemployment and pension insurance, and to the employee housing accumulation fund. We provide social insurance and contribute to the housing accumulation fund for our employees in accordance with the policies and practices of, as well as the interpretation and implementation of relevant PRC labor laws and regulations by, the local government authorities. Changes in labor laws or regulations in the PRC in which we operate may result in us incurring significant costs in order to maintain compliance with such laws and regulations and may delay or prevent project completion. We cannot assure you that a failure to comply with any such labor regulations would not result in penalties, revocation of permits or licenses for our operations or litigation or that our business, financial condition and results of operations would not be adversely affected.

Environmental risks may adversely affect our business, profitability, financial condition and results of operations

We are exposed to environmental risks due to the nature of our operations. Environmental issues could arise in the future, which could affect our profits and our ability to pay dividends. Water supplies may be exposed to pollution, including pollution from the development of naturally occurring compounds, or contamination resulting from man-made sources. Furthermore, the types and amounts of pollutants in the water or wastewater we treat may increase unexpectedly due to a number of factors, including the occurrence of natural disasters or industrial accidents, increases in levels of manufacturing activities or consumption and shortage of water supplies. In the event where such pollution or contamination occur in respect of the water supplies or types or amounts of pollutants in the water or wastewater increase significantly and we are unable to adequately and efficiently treat the contaminated water or remove pollutants from wastewater, our business, financial condition and results of operations may be materially and adversely affected. In addition, we could be held liable for human exposure to dangerous substances in water supplies for or other environmental damage. Any of the foregoing could subject us to liability, which could materially and adversely affect our business, financial condition and results of operations.

The water supply to our plants is also at risk of water shortages caused by prolonged periods of drought. If there are supply shortfalls caused by prolonged periods of drought, additional costs may be incurred by our treatment plants in order to provide emergency reinforcement of supplies to areas facing shortage. Restrictions on water use may adversely affect turnover from metered customers.

RISKS RELATING TO BUSINESS OPERATIONS IN THE PRC

PRC economic, political and social conditions, as well as governmental policies, could affect our business and prospects

Substantially all of our assets are located in China, and substantially all of our turnover is derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social conditions and government policies in the PRC. The economy of the PRC differs from the economies of most of the developed countries in many aspects, including but not limited to:

- the amount and degree of the PRC Government's involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;

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- content of and control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC Government has implemented economic reform measures to utilize market forces in the development of the PRC economy. In addition, the PRC Government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Our business, prospects and results of operations may be materially and adversely affected by the policies of the PRC Government, such as measures to control inflation and to tighten its monetary policies, changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion. These actions, as well as future actions and policies of the PRC Government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

In 2011, a series of protests occurred in various places in China. The protests may have caused disturbances among the local populations and disrupted the operations of some local businesses. Our Directors have confirmed that none of the protests were related to our business operations and such protests have had no material adverse effect on our business and operations. However, we cannot assure you that, if such protests are prolonged or escalated, our business operations or our customers' business operations will not be affected by such protests or government measures, if any, adopted as a result of the protests.

Changes in the PRC governmental standards, rules and regulations will have a significant impact on our business

Currently, our business and operations in the PRC entail the procurement of permits, licenses and certificates from the relevant government authorities and are subject to the inspection and testing by the relevant regulatory bodies of the wastewater treated by us. Thus, our business and operations in the PRC are subject to PRC government standards, rules and regulations. From time to time, changes in the standards, rules and regulations or the implementation thereof may require us to obtain additional approvals and licenses from the PRC authorities and enhance our existing measures to comply with evolving inspection and wastewater testing methodologies prescribed under the applicable standards for the conduct of our operations in the PRC. In such event, we may incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business costs will increase. Furthermore, we cannot assure you that such approvals or licenses will be granted to us promptly or at all. In addition, we may be subject to evolving inspection and wastewater testing methodologies adopted by the relevant regulatory bodies which are different from the applicable standards. For instance, the level of coliform bacteria count of wastewater sample collected at Longmen Xilin Wastewater Treatment Facility pursuant to a site inspection conducted in December 2011 by the Guangdong Provincial Environmental Monitoring Center exceeded the level prescribed under the relevant laws and regulations. We believe that the excessive level of coliform bacteria count was attributable to the sampling methodology adopted by the Guangdong Provincial Environmental Monitoring Center, which, in our opinion, differs from the applicable national standard, whereby the maximum permissible level of coliform bacteria count is an

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average number based on the results taken from a sampling frequency of at least once in every two hours within a period of twenty-four hours. Please refer to the section headed “Business — Environmental Matters — Environmental Warning” in this prospectus for further details. We also cannot assure you that the regulatory bodies will adopt a consistent inspection or testing methodology in their inspection or testing of the wastewater treated by us. If we experience delay in or are unable to obtain such required approvals or licenses, or fail to comply with the applicable standards due to different inspection or testing methodologies adopted by different regulatory bodies or other reasons, our operations and business in the PRC, and hence our overall financial performance will be adversely affected. Please refer to the section headed “Regulations” in this prospectus for further details.

Any future natural disasters, acts of God, outbreak of any of several communicable diseases in China or any other epidemic may adversely affect our operational results

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS or H5N1 avian flu. For instance, in April 2009, a human swine influenza also known as Influenza A (H1N1), broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. Since March 2013, the PRC government has reported the detection of human infection with a novel influenza A (H7N9) virus, and there is no assurance that such epidemic will not spread further. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. If in the future any of our employees or our customers in our facilities are suspected of having SARS, H5N1 avian flu, or H7N9 human swine flu, or any other epidemic or any of our facilities are identified as a possible source of spreading such epidemic, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees. We may also be required to disinfect the affected properties and therefore suffer a temporary suspension of our operations. Any quarantine or suspension of our operations will affect our operational results. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the H7N9 human swine flu, may result in material disruptions to our operations and delays in meeting our customers’ demand, which, in turn, would materially and adversely affect our business, financial condition and results of operations.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations

The PRC Government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our turnover in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this Global Offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this Global Offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the

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relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Our investment decisions are additionally affected by various other measures taken by the PRC Government relating to the PRC wastewater treatment and industrial water supply market, including those disclosed in the section headed “Regulations” in this prospectus. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries

The value of Renminbi depends, to a large extent, on domestic and international economic, financial and political developments and China’s governmental policies, as well as supply and demand in the local and international markets. Since 1999, the conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, was based on exchange rates set and published daily by the PBOC in light of the previous day’s inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The Renminbi exchange rate could fluctuate widely against the U.S. dollar or any other foreign currency in the future. Any depreciation of Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms.

We may be deemed to be a PRC resident enterprise under the EIT Law and be subject to PRC tax on our worldwide income, which may significantly increase our income tax expenses and materially decrease our profitability or otherwise adversely affect the value of your investment

Under the EIT Law that took effect on January 1, 2008, enterprises established outside of China whose “de facto management bodies” are located in China are considered to be “resident enterprises” and will generally be subject to the uniform 25% corporate income tax rate as to their aggregate income (excluding dividends received from “resident enterprises”). The Regulation on the Implementation of the Enterprise Income Tax Law further defines “de facto management bodies” as bodies that have substantial or overall management or control over operations, personnel, finances, property, and other aspects of the enterprise. As substantially all of our management functions with respect to daily operations, financial decisions and personnel decisions are located in China, we may be deemed as a “tax resident enterprise” under the EIT Law. If we or any of our subsidiaries registered outside the PRC is treated as a “tax resident enterprise” under the EIT Law, our income tax expenses may increase significantly, and our profitability could decrease materially.

Dividends payable by us to our foreign investors and gain on the sale of our Shares by our foreign investors may become subject to withholding income tax under PRC tax laws

Under the EIT Law and the implementation rules issued by the State Council, PRC withholding income tax at the rate of 10% is applicable to dividends payable by a PRC tax resident enterprise to investors (excluding individual natural persons) that are “non-resident enterprises” (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent that such dividends have their sources within the PRC, unless it is entitled to a reduction of such withholding tax under applicable tax treaties. Similarly, any gain realized on the transfer of shares of a PRC tax resident enterprise by such investors is also subject to 10% (or a lower treaty rate) PRC income tax if such gain is regarded as income derived from sources within the PRC. Investors who are established in Hong Kong and are considered non-resident enterprises by the PRC

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tax authority are subject to a PRC withholding tax at a rate of 5%. The EIT Law and its implementation rules are relatively new and ambiguities exist with respect to the interpretation of the provisions relating to identification of PRC-sourced income. If we were considered to be a PRC “resident enterprise” under the EIT Law, it is unclear whether the dividends we pay with respect to our Shares, or the gain our foreign shareholders (excluding individual natural persons) may realize from the sale of the Shares, may be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if they are required to pay PRC income tax on the transfer of the Shares, the value of their investment in our Shares may be materially and adversely affected.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions to us.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after tax profits based on PRC accounting standards each year to their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business. Under the EIT Law and implementation rules issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends paid by Chinese enterprises to “non-resident enterprises” (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) subject to the application of any relevant income tax treaty that the PRC has entered into, which provides for a lower withholding tax rate. If our Company or our non-PRC subsidiaries are considered to be a “non-resident enterprise”, any dividend that our Company or any such subsidiary receives from our PRC subsidiaries may be subject to PRC tax at the rate of 10% (or lower treaty rate).

PRC regulations on direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds from the Global Offering to make additional contributions or loans to our PRC subsidiaries

Any capital contribution or loans that we, as a company incorporated in the Cayman Islands, make to our PRC subsidiaries, including from the proceeds of the Global Offering, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment that our PRC subsidiaries are approved to make under the relevant PRC laws and the registered capital of the relevant PRC subsidiary, and any such loans must be registered with the local branch of SAFE. In addition, our additional capital contributions to our PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these registrations or approvals on a timely basis, or at all. If we fail to obtain

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such registrations or approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be adversely affected, which could in turn affect our PRC subsidiaries' liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

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

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

The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and profitability

The PRC Labor Contract Law and the Implementation Rules on PRC Labor Contract Law took effect on January 1, 2008 and September 18, 2008, respectively. The PRC Labor Contract Law was further amended on December 28, 2012 and such amendments will take effect on July 1, 2013. These labor laws and rules impose stringent requirement on employers in relation to entering into fixed term employment contracts, hiring of temporary employees and dismissal of employees. According to the Labor Contract Law, an employer is obligated to sign a non-fixed term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed term labor contracts or the employee has already worked for the employer for 10 years consecutively. The employer also has to pay compensation to employees if the employer terminates a non-fixed term labor contract. Unless an employee refuses to extend an expired labor contract, compensation is also required when the labor contract expires and the employer does not extend the labor contract with the employee under the same terms or terms which are better than those in the original labor contract. A minimum wage requirement has also been imposed by the Labor Contract Law. In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) and its implementation measures, which became effective on January 1, 2008 and September 18, 2008, respectively, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to 15 days, depending on the length of the employees' work time. Employees who waive their vacation time at the request of employers shall be compensated for three times their normal daily salaries for each vacation day being waived. Such laws and regulations may increase our labor costs. In addition, certain companies operating in the PRC have experienced labor unrest conditions in 2010. We cannot assure you that labor disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market in our Shares may not develop, which could have a material and adverse effect on our Share price and on your ability to sell your Shares

Prior to the Global Offering, no public market existed for our Shares. The Offer Price for our Offer Shares will be determined by us and the Joint Global Coordinators (on behalf of the

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Underwriters) and may differ significantly from the market price for our Shares following the completion of the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. If an active public market for our Shares does not develop, the Shares could trade at a price lower than their initial offering price and you may not be able to resell your Shares for an extended period of time, if at all.

The trading volume and market price of our Shares may be volatile, which could result in substantial losses for investors purchase our Shares in the Global Offering

The price and trading volume of our Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our turnover, earnings and cash flow, changes in our pricing policy as a result of the presence of competitors, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents we may suffer, addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, or fluctuations in the market prices for our services or raw materials could cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

The Offer Price may not be indicative of prices that will prevail in the trading market

The Offer Price will be the result of negotiations between the Joint Global Coordinators (on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after the Listing. Due to a gap between pricing and trading of the Offer Shares and that the Offer Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of the Offer Shares could be lower than the Offer Price.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, you and other purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value of approximately HK\$0.78 per Share, based on the maximum Offer Price of HK\$1.98.

In order to expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future. You and other purchasers of our Shares may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issue.

Future offerings or sales of our Shares could adversely affect the prevailing market price of our Shares and result in dilution

Future offerings or sales of our Shares by us or our Controlling Shareholders, or other shareholders in the public market, or the perception that such offerings or sales could occur, may cause the market price of our Shares to decline. Please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering” in this prospectus for details of restrictions that may apply to future sales of our Shares. After these restrictions lapse, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares (including the issuance of new Shares pursuant to the exercise of share

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options granted by us) or the perception that such sales or issuances may occur. This could also have a material and adverse effect on our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, if we issue additional Shares or share options in the future, you may experience further dilution.

We may be unable to pay any dividend on our Shares

We will only pay dividends out of the accumulated realized profits of our Company so far as not previously utilized by distribution or capitalization, less the accumulated realized losses of our Company, so far as not previously written off in a reduction or reorganization of capital duly made. Our ability to pay dividends will therefore depend on the ability of our Company to generate sufficient accumulated net realized profits.

Our Company is a holding company established in the Cayman Islands and operates its business through its operating subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our Shareholders and to service our indebtedness will depend in large part upon dividends received from our operating subsidiaries. If these subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted. Furthermore, pursuant to certain loan agreements, Guangzhou Kaizhou, Guangzhou Xintao and Guangzhou Haitao are restricted by certain covenants from making distributions to their respective shareholders. These covenants restrict our subsidiary borrowers from paying dividends until the relevant loan is fully repaid, and subordinate shareholder loans to the bank loans. These restrictions may limit the funds available to pay dividends to our shareholders. For further information regarding our declaration and payment of dividends, please refer to the section headed “Summary — Dividend Policy” in this prospectus.

Our ability to declare dividends in relation to our Shares will also depend on our future financial performance, which, in turn, depends on our success in implementing our business strategies and expansion plans and on financial, competitive, regulatory, and other factors, general economic conditions, demand for and prices of our services, costs of supplies and other factors specific to our industry, many of which are beyond our control. The receipt of dividends from our operating subsidiaries may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of existing laws and regulations and other events out of our control. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. In addition, restrictive covenants in our credit facilities or other agreements that we may enter into in the future may also restrict the ability of our operating subsidiaries to make distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

We cannot guarantee the accuracy of facts, forecasts, other statistics and information derived from various official government publications or obtained from the Ernst & Young Report with respect to China, the PRC economy and the PRC wastewater treatment and industrial water supply services industry contained in this prospectus

Facts, forecasts, other statistics and information in this prospectus relating to China, the PRC economy and the PRC wastewater treatment and industrial water supply services industry have been derived from various official government publications or obtained from the Ernst & Young Report. However, we cannot guarantee the quality or reliability of the source materials. They have not been prepared or independently verified by us, the Joint Global Coordinators, and the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts, statistics and information, which may not be consistent with other information compiled within or outside China. We have, however, exercised reasonable care in the reproduction and extraction of such facts, forecasts, statistics and information for the purpose of

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inclusion in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts, statistics and information in this prospectus may be inaccurate or may not be comparable to facts, forecasts, statistics and information produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Therefore, you should not unduly rely upon the facts, forecasts, statistics and information with respect to China, the PRC economy and the PRC wastewater treatment and industrial water supply services industry contained in this prospectus.

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

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, including the news article dated September 4, 2013 published in Apple Daily, in addition to marketing materials published by us in compliance with the Listing Rules. Such press and media coverage may include references to certain information that does not appear in this prospectus or information that is not accurate. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information about us contained in such unauthorized press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and we do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should only rely on information included in this prospectus and should not rely on any of the information in press articles or other media coverage in making any decision as to whether to purchase our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (as amended) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors have made all reasonable enquiries that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement in this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful considerations, and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE GLOBAL OFFERING

The Global Offering comprises the Hong Kong Public Offering and the International Offering described in the section headed "Structure of the Global Offering" in this prospectus.

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering.

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Global Coordinators, the Sole Sponsor, any of the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Global Offering.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement on a conditional basis. One of the conditions is that we and the Joint Global Coordinators (on behalf of the Underwriters) have agreed on the Offer Price. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. The Global Offering is managed by the Joint Global Coordinators.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around September 17, 2013 and, in any event, not later than September 19, 2013. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) by September 19, 2013, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is

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unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme. None of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on September 25, 2013, it is expected that dealings in our Shares on the Stock Exchange will commence on September 25, 2013. Our Shares will be traded in board lots of 2,000 Shares each and the stock code of our Shares will be 1363.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasize that none of the Joint Global

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Coordinators, the Joint Bookrunners, the Sole Sponsor, Underwriters, us, any of our or their respective directors or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchasing, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands. Our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on the register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to slow and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the initial public offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it may, on behalf of the Underwriters, and to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Stabilizing Manager or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above;
 - (A) (1) over-allocate the Offer Shares; or
 - (2) sell or agree to sell the Offer Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
 - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Offer Shares in order to close out any position established under paragraph (A) above;

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- (C) sell or agree to sell any of the Offer Shares acquired by it in the course of the stabilizing action referred to in paragraphs (i) above in order to liquidate any position that has been established by such action; or
- (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on which trading of the Offer Shares commences on the Stock Exchange and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on October 17, 2013. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases affected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 51,000,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Stabilizing Manager may borrow up to 51,000,000 Shares from Keen Vast, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under a stock borrowing agreement.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the translations of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars have been made at the rates of RMB6.1193 to US\$1.00 and HK\$7.7544 to US\$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on August 30, 2013, respectively, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.79593 to HK\$1.00, the exchange rate set by PBOC for foreign exchange transactions prevailing on September 4, 2013. No representation is made that (i) Renminbi amounts

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

could have been, or could be, converted into U.S. dollars; (ii) that Hong Kong dollars could have been, or could be, converted into U.S. dollars; or (iii) the Renminbi amounts could have been, or could be, converted into Hong Kong dollars at such rates or at any other rate on such date or on any other date.

ROUNDING

Any discrepancies in any table between totals and sums of amounts and percentages listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
TSUI Cham To (徐湛滔)	No. 16, Kangning 3rd Street Huimei Community Xintang Town Guangzhou, PRC	Chinese
LU Yili (盧已立)	Building 32 No. 2001 No. 81 Xian Lie Zhong Rd. Guangzhou, PRC	Singaporean
XU Ju Wen (徐炬文)	Room 2301 No. 13 Senxin Street Tianyuan Road Tianhe District Guangzhou, PRC	Chinese
XU Shu Biao (徐樹標)	No. 4, Nongzi Road Xidingfang, Xizhou Village Xintang Town, Zengcheng City Guangdong Province PRC	Chinese
XU Zi Tao (徐子滔)	No. 4, 4th Avenue Nongzi Road Xidingfang, Xizhou Village Xintang Town, Zengcheng City Guangdong Province PRC	Chinese
<i>Independent non-executive Directors</i>		
LIU Yung Chau (廖榕就)	Flat A, 5/F 45 Fa Po Street Yau Yat Tsuen Kowloon Tong, Kowloon Hong Kong	Chinese
XU Zhen Cheng (許振成)	Room 501, No. 8 Area 7th Yuancun West Street Tianhe District Guangzhou PRC	Chinese
LAM Ka Wai, Graham (林家威)	22 Maidstone Road 1/F., Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road, Central Hong Kong
Joint Global Coordinators and Joint Bookrunners	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road, Central Hong Kong ICBC International Capital Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
Joint Lead Managers	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road, Central Hong Kong ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
Auditors and Reporting Accountants	KPMG <i>Certified Public Accountants</i> 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong
Legal Advisers to our Company	<i>As to Hong Kong and U.S. laws:</i> Sidley Austin Level 39, Two International Finance Centre 8 Finance Street Central Hong Kong <i>As to PRC law:</i> GFE Law Office 18th Floor, Guangdong Holdings Tower No.555 Dong Feng East Road Guangzhou, PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal Advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong and U.S. laws:

Herbert Smith Freehills
23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

As to PRC law:

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A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
PRC

Receiving Banks

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters in the PRC	17/F, Best Centre Tower 321 Gangkou Road Xintang Town Zengcheng, Guangzhou China
Place of Business in Hong Kong	Room 1202B, 12/F Empire Centre 68 Mody Road Tsim Sha Tsui Kowloon, Hong Kong
Company's Website	www.chongto.com (information contained in this website does not form part of this prospectus)
Company Secretary	SIT Hon Wing <i>FCPA, FCCA</i>
Authorized Representatives	TSUI Cham To No. 16, Kangning 3rd Street Huimei Community Xintang Town Guangzhou PRC LU Yili Building 32 No. 2001 No. 81 Xian Lie Zhong Road Guangzhou PRC
Audit Committee	LAM Ka Wai, Graham (chairman) LIU Yung Chau XU Zhen Cheng
Remuneration Committee	XU Zhen Cheng (chairman) LIU Yung Chau TSUI Cham To
Nomination Committee	LIU Yung Chau (chairman) LAM Ka Wai, Graham TSUI Cham To
Compliance Adviser	Somerley Limited 20th Floor, Aon China Building 29 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Principal Share Registrar Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers **Hong Kong**

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen's Road Central
Hong Kong

China

Industrial and Commercial Bank of China Ltd.
(Xintang branch in Guangzhou)
No. 159, Jiefangbei Road
Zengcheng Municipality
PRC

Bank of China Limited
(Xintang branch in Guangzhou)
No. 130, Jiefangbei Road
Zengcheng Municipality
PRC

INDUSTRY OVERVIEW

Certain facts, information, statistics and data relating to China's economy and the industry in which we operate that are presented in this section and elsewhere in this prospectus are derived from publicly available government official sources (including various publications issued by PRC Government entities) as well as the Ernst & Young Report. The information from official government publications and the Ernst & Young Report may not be consistent with the information compiled within or outside China. We believe that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us or any of our respective directors, officers, representatives or affiliates, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and the Sole Sponsor or any other party involved in the Global Offering and no representation is given as to its accuracy or correctness and accordingly it should not be unduly relied on. Unless otherwise indicated, all data in this section is derived from the Ernst & Young Report.

REPORT COMMISSIONED FROM ERNST & YOUNG

We commissioned Ernst & Young, an independent advisory firm with relevant industry experience, to conduct an analysis of, and to report on, the PRC wastewater treatment and water supply industry. The report commissioned has been prepared by Ernst & Young independent of our influence. The fee we paid to Ernst & Young was US\$40,000 inclusive of out-of-pocket expenses and taxes which we consider as reflecting market rates. Ernst & Young is a professional services firm providing a broad array of services relating to audit and risk related services, tax and transactions. Its commercial advisory services include: commercial due diligence, market penetration and growth strategy, competitive analysis, market assessment, sourcing and distribution strategy and business plan review. Ernst & Young's clients in the wastewater treatment and water supply industry within China include other domestic private wastewater treatment and water supply enterprises.

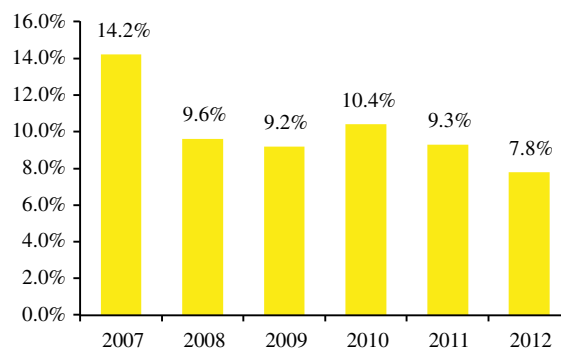
The Ernst & Young Report we commissioned includes information related to the PRC wastewater treatment and water supply industry, such as an overview of the industry, as well as PRC specific information including government regulations and initiatives with respect to the wastewater and water treatment industry, statistics relating to water supply, water consumption, wastewater treatment and water tariff and future estimates and trends. Ernst & Young's independent research was undertaken through both primary and secondary research obtained from various public and private sources, as well as our management with respect to our market position. Secondary research involved reviewing company reports, independent research reports, data based on Ernst & Young's own research database and data from government publications and industry sources. Primary research involved interviewing leading industry participants, government officials, and our executives. Forecast data is based on historical growth rates as well as government announcements of planned investment in the wastewater treatment and water supply industry. As far as we are aware, there have not been any material adverse changes to the market information set out in the Ernst & Young Report since the date of such report. The information from the Ernst & Young Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. Please refer to the section headed "Risk Factors — Risks Relating to the Global Offering — We cannot guarantee the accuracy of facts, forecasts, other statistics and information derived from various official government publications or obtained from the Ernst & Young Report with respect to China, the PRC economy and the PRC wastewater treatment and industrial water supply services industry contained in this prospectus" in this prospectus.

INDUSTRY OVERVIEW

OVERVIEW OF CHINA'S ECONOMY

China's economy has enjoyed continuous and significant economic growth in the past decade. China's GDP had experienced double-digit growth rate from 2004 to 2007, making China one of the fastest growing economies in the world. In 2008, despite the economic recession caused by the global financial crisis, China's real GDP grew at approximately 9.6%, compared to 2007. In 2009, China's GDP grew at approximately 9.2%, representing the fastest economic growth among the top 15 countries ranked by total GDP value. After registering an above-trend rate of 10.4% in 2010, Chinese real GDP growth has moderated in 2012 with a growth rate of 7.8%, as a result of policy-tightening measures and weaker external demand. Looking into 2012, the weak global outlook underscores the importance of rebalancing China's economic growth model towards domestic demand. The year of 2012 has witnessed a steady economic and social development, while national economy is running slow yet stable. According to the 12th Five-Year Plan promulgated by the PRC Government from 2011 to 2015 (the "12th Five-Year Plan period"), China's GDP is expected to experience a compound annual growth rate ("CAGR") of 7%. According to the State Council, environmental protection will be an important objective of state policy together with maintaining economic growth.

The chart below sets out China's real GDP growth from 2007 to 2012.



Source: the State Council of China

INDUSTRY OVERVIEW

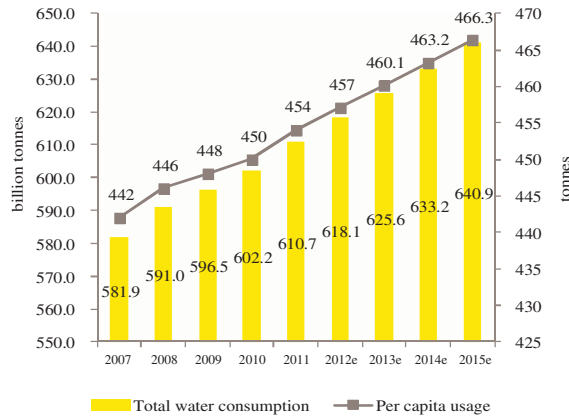
OVERVIEW OF CHINA'S WATER SECTOR

Water Consumption

Driven by population growth, urbanization and industrialization, residential and industrial water consumption in China is expected to continue to grow steadily from 2013 to 2015. With continuous economic growth in China, demand for water resources is expected to continue to rise.

The chart below illustrates the historical and forecast total and per capita water consumption in China between 2007 and 2015.

Total and per capita water consumption



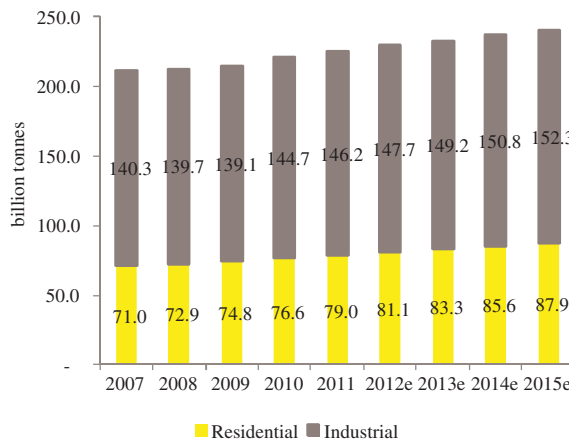
* Total water consumption and per capita usage for 2012 to 2015 are estimated by considering the CAGR is stable.

Source: NBS and Ernst & Young estimate

Fresh water consumption in China has been characterized by a high level of agricultural use. The growth of the agricultural sector, however, has been slowing in recent years due to urbanization and industrialization. On the other hand, residential and industrial water consumption has experienced fast and steady growth from approximately 71.0 billion tonnes and approximately 140.3 billion tonnes, respectively, in 2007, to approximately 79.0 billion tonnes and approximately 146.2 billion tonnes, respectively, in 2011, with a CAGR of approximately 2.7% and approximately 1%, respectively, over the same period.

The chart below sets forth the historical and forecast residential and industrial water consumption in China from 2007 to 2015.

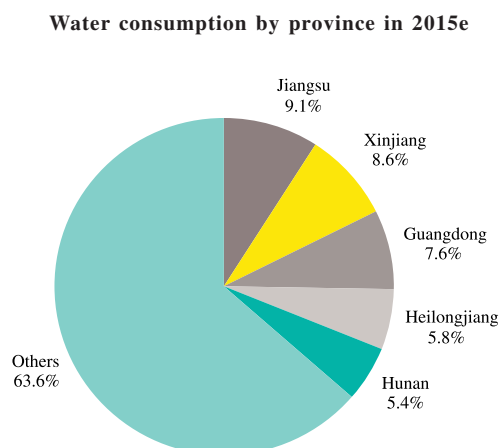
Residential and industrial water consumption



Source: NBS and Ernst & Young estimate

INDUSTRY OVERVIEW

According to the estimation in the Ernst & Young Report, the chart below illustrates the top five provinces in China in terms of water consumption in 2015. Guangdong province and Hunan province are the third and fifth largest water-consuming provinces, respectively.



Source: Ernst & Young estimate

Recent Water Tariff Hikes

Residential and industrial users pay a fee to the tap water company. Such fee includes tap water tariff, water resources fee and sewage treatment fee. According to the Ernst & Young Report, the average water tariff for industrial users in major cities was RMB3.92 per tonne by the end of 2012. China's current water tariff is still much lower than those of many developed countries.

Tariff control in China remains a challenge to companies operating in the water sector as they have limited flexibility in adjusting the prices of their services that will fully reflect increases in operating costs.

In July 2009, the NDRC and the Ministry of Construction jointly issued the Circular on the Management of Urban Water Tariff, which demonstrated the PRC Government's determination to increase water tariffs. Major cities in China have witnessed water tariff hikes since 2009. For one recent example, Guangzhou increased its water tariff to RMB1.98/m³ for residential users and RMB3.46/m³ for industrial user in 2012. In order to enhance the development of the water sector and to improve the country's water supply quality, the government is expected to continue increasing water tariffs in the coming years.

CHINA'S WASTEWATER TREATMENT INDUSTRY

The PRC Government grants franchising rights to urban wastewater treatment enterprises. Industry players include public and private companies, state-owned enterprises and government affiliates. For domestic players, state-owned water companies play a vital role in water supply and wastewater treatment. Active non-state-owned players have also shown strong growth momentum in the past few years.

Wastewater Treatment Operating Modes

Wastewater treatment is usually conducted by means of either a BOO or BOT project. In addition, as a recent industry trend, the O&M project model, in which an enterprise is retained to operate and maintain wastewater treatment facilities in return for a fee, is more commonly adopted.

INDUSTRY OVERVIEW

The table below illustrates some of the differences between a BOT and a BOO project.

	<u>BOT (Build-Operate-Transfer)</u>	<u>BOO (Build-Own-Operate)</u>
Definition	<ul style="list-style-type: none"> • The government or the industry player grants the operational right to a project company, which is responsible for financing, designing, constructing, operating and managing the project for a specified period pursuant to a concession agreement. • The ownership of the project facility will be transferred to the government or other specified party at the end of the concession period, often at nil consideration. 	<ul style="list-style-type: none"> • The project company is responsible for financing, designing, constructing operating and managing the project, and it owns and operates the facility independently and retains all of the surplus operating revenue in perpetuity.
Process	<ul style="list-style-type: none"> • BOT is generally adopted in both municipal and industrial wastewater treatment projects. • BOT projects are carried out by an open bidding process. • Project company receives a stable return on its investment during the concession period to cover its initial investment costs as well as treatment costs by receiving periodic payments from the government or the industry player for the wastewater treatment services. • The wastewater treatment fee is determined by a pricing formula consisting of factors such as interest rates and utility prices. • Cost factors are generally reviewed every two or three years or as designated in the concession contract. If costs have exceeded the designated range, the project company has the right to request the payment to increase correspondingly subject to the government's approval. 	<ul style="list-style-type: none"> • BOO projects are more popular in industrial wastewater treatment and solid waste treatment. • Industrial wastewater treatment in industrial park construction projects may also adopt the BOO mode due to local governments not having sufficient capital to invest in treatment facilities. • The government has less financing involvement under the BOT mode. Although the government does not provide direct funding, it may offer other financial incentives such as tax reduction or tax holidays. • The project company may be in charge of purchasing land use rights and establishing the infrastructure.

INDUSTRY OVERVIEW

	BOT (Build-Operate-Transfer)	BOO (Build-Own-Operate)
Comparison of profitability, return on investment and growth potential	<ul style="list-style-type: none"> • As tariff for municipal wastewater treatment is controlled by the government and any adjustment may have to go through a public hearing process, the BOT project company can only earn an average profit and return on its investment. • The government usually guarantees a minimum wastewater discharge volume in the concession contracts and is responsible for sludge treatment. • The government typically does not control the industrial wastewater tariffs as closely as municipal wastewater tariffs, therefore, industrial wastewater treatment is usually more profitable. • Growth is driven by urbanization and the government's increasing promotion of environmental protection policies. 	<ul style="list-style-type: none"> • A BOO project company engaging in industrial wastewater treatment services can generally earn a higher profit as it can negotiate the wastewater treatment tariff individually with each industrial end-user. The government typically does not control the industrial wastewater tariffs as closely as municipal wastewater tariffs, therefore, industrial wastewater treatment is usually more profitable. • Return on investment on average is higher than BOT. • Growth is primarily driven by industrialization as well as the government's policy on reducing industrial pollution.

The table below illustrates the advantages and challenges facing both a BOT project and a BOO project:

Advantages of BOT and BOO projects	<ul style="list-style-type: none"> • Centralized operation by the BOT and BOO project companies increases operation efficiency. • The project company can garner stable turnover compared with construction or engineering services as the operation period spans over 15 to 30 years. • Due to the long operation period, the project company has higher motivation to adopt advanced technologies to ensure stable effluent quality and maintain a low operation cost. • As environmental standards are becoming stricter, the project company has a better chance of coping with the enhanced requirements than the end-user due to its higher R&D capabilities to initiate and implement required technologies with lower costs.
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INDUSTRY OVERVIEW

Challenges facing BOT and BOO projects

- The project company is exposed to financing risks as a large sum of capital is required at the start up of the project and only gets paid back after a long period of time.
- Risks of return may arise due to shrinking of potential market.
- Construction and design techniques adopted by the operator may become outdated and the project operator is required to constantly upgrade its facilities to maintain competitiveness.
- Centralized operation by the project company adds to the complexity of management and implementation.

Wastewater Treatment Technologies

Wastewater treatment involves physical, chemical and biological processes to remove suspended substances and to reduce the COD, BOD, phosphorus and nitrogen levels. Different techniques can be combined to maximize treatment effect. Three stages of wastewater treatment are being widely used in both municipal and industrial wastewater treatment. The first stage of treatment usually involves a physical process that includes settling. The second stage involves biological treatment, where activated sludge treatment and membrane technology may be adopted to reduce COD and BOD levels. The third stage refers to advanced treatment, which may involve phosphorus and nitrogen removal, coagulating sedimentation, sand filtration, carbon absorption, electric charge accumulation and ion exchange.

Activated sludge technology (“AST”) is a process for treating wastewater using air and biological flocculent composing of bacteria and protozoa. The general arrangement of an activated sludge process for removing pollutants includes: (i) pretreatment, (ii) aeration tank where oxygen is injected into the mixed liquid; (iii) settling tank to allow the biological flocculents to settle, thus separating the biological sludge from the clear treated water, and (iv) treatment of nitrogenous matter or phosphate, which involves additional steps where the mixed liquid is left in anoxic condition. As conventional activated sludge method may discharge a large amount of sludge containing various pollutants, the current technology trend is to use an anaerobic process to compress the sludge generated. Another wastewater treatment technique is the membrane technology. Major applications of membrane technology include the Membrane Bioreactor and Reverse Osmosis (“RO”), in which water produced under the RO membrane process can satisfy World Trade Organization’s quality requirement for drinking water. Compared with membrane techniques, the AST is more efficient on organic pollutants removal by mixing the solid and liquid matters. One of the development direction is the AST-membrane combination technology, which can utilize the advantages and weaken the disadvantages of the two techniques.

The wastewater treatment industry in China mainly adopts techniques such as the oxidation ditch technique, traditional activated sludge treatment, hydrolysis-aerobic process and biological aerated filters process. Each of these wastewater treatment technologies has its own characteristics and application period. For example, the hydrolysis-aerobic biological process has been in application since the early 1980’s and can operate effectively even under very low temperature, generally producing steady outcome of sludge and water. To date, this technology has been applied by hundreds of wastewater treatment plants.

China’s Wastewater Treatment Sector

By the end of 2012, the total number of wastewater treatment plants in China reached 3,340 with total daily treatment capacity of 142 million tonnes.

INDUSTRY OVERVIEW

Wastewater Treatment Market

According to the Ernst & Young Report, the MWR estimated that during the 12th Five-Year Plan period, 379 cities will need to establish wastewater treatment facilities. Furthermore, the government has also encouraged the installation of wastewater treatment capacities in major towns, of which there are more than 10,000 in total in China. As such, there is a significant growth potential in China's wastewater treatment industry.

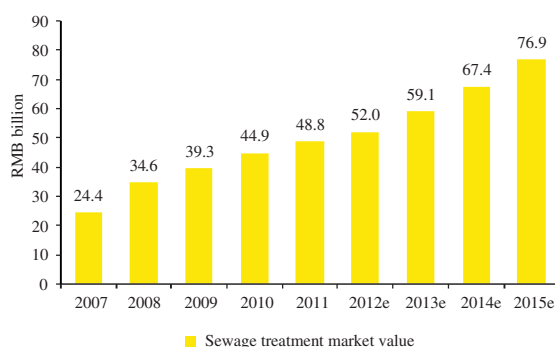
According to the Ernst & Young Report, the wastewater treatment market in 2007 was approximately RMB24.4 billion and is estimated to reach RMB76.9 billion by 2015, representing a CAGR of approximately 15%. The market size is estimated by multiplying treated wastewater volume by average wastewater tariff. The total volume of wastewater discharged and wastewater treated was approximately 68.1 billion tonnes and approximately 56.8 billion tonnes in 2012, respectively. According to the Ernst & Young Report, it is estimated that in 2015, the total volume of wastewater discharged will be approximately 77.5 billion tonnes, of which approximately 65.9 billion tonnes will be treated. The difference between discharged and treated volume implies the growth potential of demand for wastewater treatment services in China.

The chart below illustrates the total volume of wastewater discharged in China between 2007 and 2012, as well as the estimated and forecast total discharge volume between 2013 and 2015.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012e</u>	<u>2013e</u>	<u>2014e</u>	<u>2015e</u>
Total volume of wastewater discharged (billion tonnes)	55.6	57.1	59.0	61.7	65.2	68.1	71.1	74.2	77.5

Source: Ministry of Environmental Protection and Ernst & Young estimate

The chart below sets forth the historical and forecast wastewater treatment market size in China from 2007 to 2015.



Source: China Environmental Protection Bulletin and Ernst & Young estimate

According to the Ernst & Young Report, revenue generated from the water-related business, including both water supply and wastewater treatment, was RMB554 billion in 2012, a CAGR of 35.42% from 2007. During the same period, water sector investment grew at a CAGR of 23.7% and reached RMB430 billion in 2012. The surge in revenue was mainly underpinned by the government's investment in the water sector. As a quickly expanding business, the water supply and wastewater treatment industry is expected to grow continually in China for the years going forward.

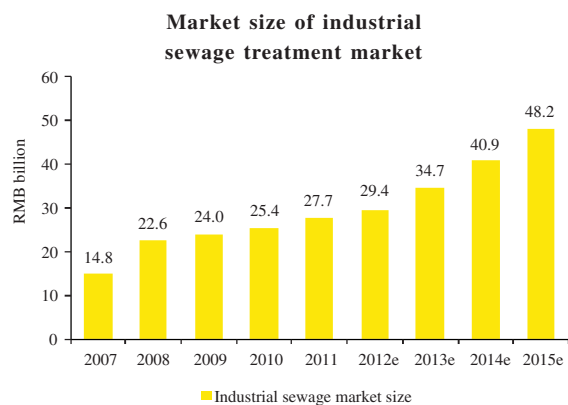
INDUSTRY OVERVIEW

Industrial Wastewater Treatment Market

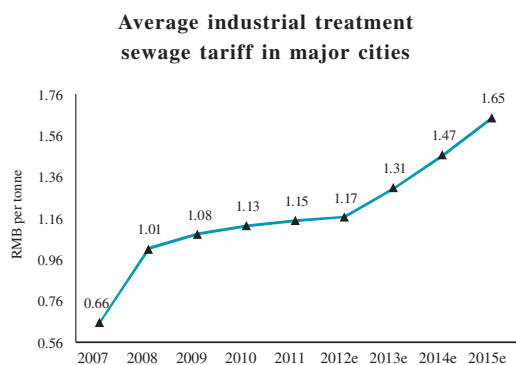
According to the Ernst & Young Report, the industrial wastewater treatment market size was estimated to be RMB14.8 billion in 2007 and is expected to reach approximately RMB48.2 billion in 2015, representing a CAGR of approximately 16%. The industrial wastewater treatment market size is estimated by multiplying treated wastewater volume by average wastewater tariff. Increases in wastewater tariff are expected to drive the industrial wastewater treatment market.

Compared to municipal wastewater treatment tariffs, industrial wastewater treatment tariffs are subject to more fluctuation as it is closely related to the prospects of the industry that the wastewater treatment plant serves. According to the Ernst & Young Report, the industrial wastewater tariffs in major cities have been increasing in the past few years and are expected to continue rising in the future. From 2007 to 2012, industrial wastewater treatment tariff increased from RMB0.66 per tonne to RMB1.17 per tonne at a CAGR of 12%. It is estimated that the industrial wastewater treatment tariff will reach RMB 1.65 per tonne in 2015. Such increases have been observed in many cities in China, including cities in Guangdong, Hunan and Sichuan. For example, according to the Ernst & Young Report, Huaihua increased its industrial wastewater treatment tariff from RMB0.20 to RMB0.85 per tonne from 2007 to 2009. Guangyuan increased its industrial wastewater treatment tariff in April 2010 to above RMB1.20 per tonne. Industrial wastewater treatment tariff has also increased in Guangzhou from 2007 to 2012 by approximately 122%.

The charts below set forth the trend and estimated growth in the size of the industrial wastewater treatment market and the trend of the average industrial wastewater tariff in major cities in China from 2007 to 2015.



Source: China Environmental Protection Bulletin and Ernst & Young estimate



Source: H2O China Water Net

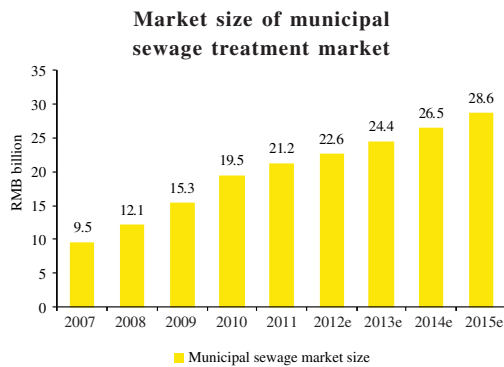
INDUSTRY OVERVIEW

Municipal Wastewater Treatment Market

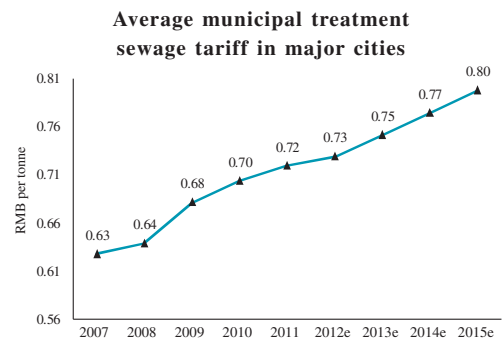
According to the Ernst & Young Report, the municipal wastewater treatment size was estimated to be RMB9.5 billion in 2007 and is expected to reach approximately RMB28.6 billion in 2015, representing a CAGR of approximately 15%. The municipal wastewater treatment market size is estimated by multiplying treated wastewater volume by average wastewater tariff. Increases in wastewater tariff are expected to drive the municipal wastewater treatment market.

According to the Ernst & Young Report, the municipal wastewater treatment tariffs have been increasing in the past few years and are expected to continue rising in the future. From 2007 to 2015, the municipal water treatment tariff increased from RMB0.63 per tonne to RMB0.80 per tonne at a CARG of 3%. In 2007, the Ministry of Construction stated that the municipal wastewater treatment tariff should not be lower than RMB0.80 per tonne, which was higher than the actual municipal tariffs in major cities in China. The minimum tariff of RMB0.80 per tonne set by the Ministry of Construction in 2007 was the target of the governmental guidelines to be achieved over time. The government usually allows for some time before such target tariff is met. According to the Ernst & Young Report, it is estimated that the average municipal sewage treatment tariff will reach RMB0.80 per tonne in 2015.

The charts below set forth the trend and estimated growth in the size of the municipal wastewater treatment market and the trend of the average municipal wastewater treatment tariff in major cities in China from 2007 to 2015.



Source: China Environmental Protection Bulletin and Ernst & Young estimate



Source: H2O China Water Net

Wastewater tariffs are expected to continue increasing in the coming years given the rising costs of wastewater treatment materials, energy and labor, together with the constant requirements to upgrade the treatment system resulting from increasing technical standards.

INDUSTRY OVERVIEW

Industry Entry Barriers

Entry barriers in the wastewater treatment industry include the industry participants' financial strength, technological know-how, relationship with key stakeholders as well as the quality of services they are able to provide.

The wastewater treatment industry is capital intensive. In general, it is much easier for medium to large players with good financial strength to win bids for wastewater treatment projects, as they are able to afford the start-up cost and can obtain financing from banks or the government more easily. According to the Ernst & Young Report, the pay-back period for BOT projects in municipal wastewater treatment ranges from 15 to 30 years, while the pay-back period for industrial wastewater treatment projects is generally shorter, averaging at 7 years.

Wastewater treatment plant operators also need strong technological capabilities as water discharge standards stipulated by the government have become increasingly stringent. According to the Measures for the License Administration of Qualification for Operation of Environmental Pollution Control Facilities, designers, builders and operators of wastewater treatment plants are required to attain certification (with Grade of A, B, or C) that grant the operator the rights to perform at different levels. By 2012, only 84 companies have Grade A certification on both municipal and industrial wastewater treatment.

In municipal wastewater projects, relationships with the local government play a vital role in winning the tender as well as in subsequent operations. A good relationship with the local government often enables a player to better understand the government's requirements, and hence a higher chance to win the contract.

In addition, sewage treatment operators need to provide high quality services along the value chain in order to gain credibility from clients and build up reputation. A competitive industrial wastewater treatment operator attaches great importance to its service to customers, through providing well-trained technical staff to carry out the operational and maintenance services, and continuously upgrade the technology to improve the quality of the treated waste.

CHINA'S INDUSTRIAL WASTEWATER TREATMENT INDUSTRY

Competitive Landscape

The industrial wastewater treatment industry has been expanding in the past decade. According to the Sewage Treatment Industry Risk Analysis Report by the Agriculture Bank of China, the total sewage treatment business income is RMB18.9 billion in 2011, increased by 34.26% compared to 2010. Industrial wastewater treatment players in China include both state-owned enterprises and private companies. State-owned enterprises are a major force in the industrial wastewater treatment industry, as they run wastewater treatment services on administration order from the government. State-owned enterprises generally have several business lines other than industrial wastewater treatment while private companies usually take industrial wastewater treatment as their main businesses.

Growth Drivers of China's Wastewater Treatment Sector

Shortage and Disparity of Water Resources

According to the Ministry of Water Resources, China's renewable internal freshwater resources per capita is about 2,100 tonnes, 28% of the world's average, in 2012. The availability of water resources is affected by droughts, floods and other environmental conditions.

According to the Ernst & Young Report, more than 400 of the 600 major cities in China suffer from water shortages. China's water shortage is aggravated by regional disparity in water resources. According to the Ministry of Land and Resources, the region south of the Yangtze River occupies

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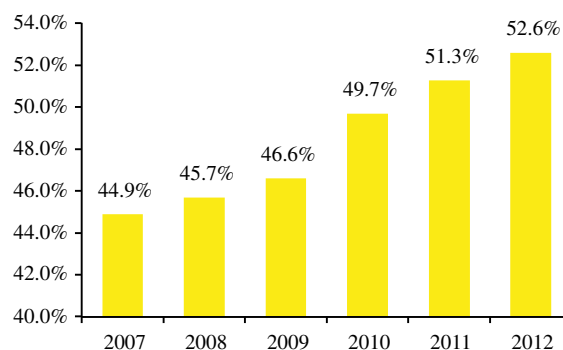
approximately 36% of the total land mass but holds approximately 84% of all water resources in China. In addition, China's weather conditions and regional climate characteristics such as monsoon, precipitation in water-abundant areas and drought in water-deficient areas also exacerbate the geographical imbalance in water resources. As such, due to scarcity and regional disparity of water resources, water demand in some areas in China may outstrip water supply.

Water wastage and pollution are prevalent in China, exacerbating the water shortage problem. The Ernst & Young Report estimated that only one-third of agricultural water in China was fully utilized with the rest wasted in transportation and inefficient irrigation. Water pollution also poses a threat to fresh water supply in China. Most pollutants are from wastewater or discharges from chemical factories. Other sources of contamination include pesticide residue and organic pollutants. In November 2012, the MWR estimated that approximately 298 million people in rural China were drinking unsafe water. It is also estimated by the MWR that 20% of drinking water resources for urban residents are hardly compliant to the safety standards. Water pollution by bacteria overflow resulting from poor water treatment is a major cause of China's unsafe water problem, according to an investigation by the Ministry of Health ("MOH").

Accelerating Urbanization

The level of urbanization has increased in China as a result of the country's rapid economic growth. Populations in cities have increased significantly with the influx of people from rural and less developed areas. From 2007 to 2012, the urbanization rate in China grew at a CAGR of approximately 3.2%. By the end of 2012, total urban population in China was approximately 712 million and urbanization rate reached approximately 52.6%. It is expected by the NDRC that China's urbanisation rate in 2013 will be 53.37%, increased by 0.77% compared to 2012. Continuous urbanization has led to rising demand for wastewater treatment and water supply services. Generally, urban areas have higher water demand per capita than rural areas. With the mass migration of people to major cities, many of which are in eastern China, the higher population density in coastal provinces have led to increased water consumption and aggravated imbalances between water supply and demand in such cities. In addition, urbanization drives higher demand for wastewater treatment capacity due to the concentration of industrial, residential and commercial activities in cities.

The chart below sets forth urbanization rates in China from 2007 to 2012.



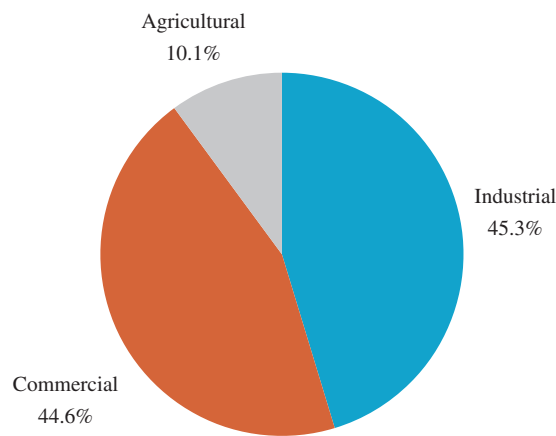
Source: NBS

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Increasing Industrialization

According to the Ernst & Young Report, industrialization is another major factor contributing to increased water consumption and wastewater discharge. The industrialization rate is generally evaluated by the percentage of the industrial output value to the aggregate GDP value. In 2012, according to the Ernst & Young Report, the industrial sector accounted for approximately 45.3% of China's GDP and was the largest GDP contributor. Rising domestic consumption and the corresponding increase in infrastructure investment is expected to drive continued high output from water-consumptive industries such as steel, paper and textile. Continuous development of such water-consumptive industries is expected to drive up demand for industrial wastewater treatment and water supply in the future.

The chart below illustrates the GDP contribution from different sectors in China in 2012.



Source: NBS

In recent years, the PRC Government has encouraged industries in developed regions to shift to less developed regions, such as the central and western provinces, by establishing industrial parks or economic development zones. For example, the Guangdong government plans to relocate industrial parks from the Pearl River Delta to less developed regions in the province. In addition, the provincial governments of Hunan and Sichuan aim to attract industrial enterprises to shift from more developed regions in China to their respective provinces. In recent years, local governments have also increased public spending on infrastructure construction in those districts. Measures to promote the establishment of specialized industrial parks include favorable policies on financing, land use and education.

Currently, there are approximately 2,000 industrial parks in China, with more parks in the southern and eastern provinces and fewer in the western provinces. Specialized industrial parks usually attract manufacturers in the same industry to benefit from economies of scale. Typically, the local government will first invite leading players with key projects in a certain industry to set up sizeable facilities in the park, followed by other upstream and downstream players. Once a complete industrial value chain has been formed, the local government will seek to attract more industry players to establish production bases in the park, thereby forming an industry cluster to grow the region into an industry base.

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Government investment and policy support in Environmental Protection

The industrial wastewater treatment industry is being driven in part by government investment to improve environmental quality, stricter water standards and facility upgrade requirements. The PRC Government has been increasing its support for as well as investment in the environmental protection sector during the past two decades. It will invest RMB3.4 trillion on environmental protection from 2011 to 2015, and the wastewater treatment rate may continue to grow and reach the government's target growth rate of 90% in 2020. Furthermore, the PRC Government will grant subsidies to wastewater treatment projects and investments in pipeline construction. It is expected that the environmental protection industry will have a 15% to 20% annual growth rate and that the output value will be around RMB4.9 trillion during the 12th Five-Year Plan period.

The table below sets forth the environmental protection investment by the PRC Government in various periods.

Periods	Investment amount	% of GDP	Wastewater treatment investment
	(RMB billion)		(RMB billion)
"10th Five-Year Plan" (2001-2005)	839.9	1.2	113.2
"11th Five-Year Plan" (2006-2010)	2,162.3	1.4	332.0
"12th Five-Year Plan" (2011-2015) (<i>estimated</i>)	3,400.0	1.4	430.0

Source: NBS, MEP, NDRC and Ernst & Young estimate

The Ministry of Water Resources, the Ministry of Environmental Protection and the National Development and Reform Commission have issued circulars and guidelines on preventing environmental degradation and encouraging investment in the wastewater treatment industry. The PRC Government is also expected to set higher hygiene standards and stricter requirements on water quality, which means that demand for advanced wastewater treatment will increase. Furthermore, as with the recent tariff increases in many cities such as Beijing, Shanghai and Guangzhou, more industrial enterprises are willing to set up or upgrade their wastewater treatment facilities since recycling wastewater can exempt them from wastewater tariffs. As wastewater is turned into recycled water after advanced treatment, which can in turn be sold as intermediate water, this generates extra turnover for the enterprise, which can partly offset the enterprise's wastewater treatment costs. As a result, demand for more advanced wastewater treatment facilities is likely to increase.

High level of output by manufacturing industries such as textile and pulp and paper

According to the Ernst & Young Report, from 2007 to 2011, output value of both the textile and paper industries grew at a CAGR of more than 17%. China is the largest textile manufacturer in the world with an estimated output value of RMB1,709 billion in 2012. Textile industry ranked third in all industries in China in terms of wastewater discharge volume, with approximately 70% to 90% of water used in production being discharged as wastewater. In April 2010, the Ministry of Industry and Information Technology of China issued a circular to raise the entry barriers of the textile printing and dyeing industry. The circular required industry players to establish sound wastewater and solid waste treatment facilities to meet discharge standards. Pursuant to the circular, the volume of all reclaimed water should be over 35% of all water used.

The pulp and paper industry in China has ranked the highest of all industries in terms of wastewater discharge since 2002, with a total discharge volume reaching 4.4 billion tonnes in 2010. With the significant increase in output value and the large discharge volume, the PRC Government has been tightening the requirements and standards for wastewater discharge. In June 2008, the MEP and

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the General Administration of Quality Supervision, Inspection and Quarantine jointly released the National Water Pollutant Standard for the pulp and paper-making industry, which has tightened the requirements with respect to COD and BOD discharge level. Such a new standard is expected to push many existing manufacturers to improve their wastewater discharge treatment facilities.

Industrial policies encouraging industries to shift to developing areas

The PRC Government encourages industries to shift from developed to developing regions in the form of industrial parks or economic development zones. As a result of China's "Western Region Development" policies, some enterprises have started to move to industrial parks in the central and western provinces, where local governments have granted favorable policies including preferential tax treatment, low transfer cost of land use rights, lower power tariff and comprehensive supporting facilities, in order to attract key manufacturers.

In the "Guidance of the Industries Shift to the Central and West Regions" issued by the State Council in September 2010, the PRC Government emphasized several policies on the industrial parks in central and western regions of China. For example, labor-intensive industries such as textile should be shifted to central and western regions. Such regions should improve its environmental infrastructure and should set up industrial parks to realize economies of scale. In addition, the government in such regions is to provide support in terms of financing, investment and land use.

Industrial Wastewater Treatment in Guangdong, Hunan and Sichuan Provinces

Guangdong Province

In 2005, the Guangdong provincial government issued the "Relocation and Transition of Industrial Parks in Guangdong" circular, which encouraged the shift of industrial parks from developed regions such as the Pearl River Delta to less developed regions such as the mountainous areas in the province. In 2008, the Guangdong government further proposed the second round of transition to establish industrial bases in less developed regions in Guangdong province for manufacturers to expand scale and lower labor costs. By the end of 2012, the number of industrial parks transferred to the less developed regions in Guangdong province is 36, and the proportion of industrial value added in the less developed regions increased from 1% to 20%. However, as the relocation of industrial parks also brought environmental pollution issues, the Guangdong government started to impose penalties, such as reduction or even withdrawal of government financing on enterprises that discharge pollution.

In Guangdong province, the volume of wastewater that was not treated by the discharging industries had decreased from approximately 2.3 billion tonnes in 2005 to approximately 1.9 billion tonnes in 2011. According to the Ernst & Young Report, industrial wastewater discharged from the Pearl River Delta represented over 55% of all industrial wastewater discharged in Guangdong province. By the end of 2012, Guangdong province had approximately 396 wastewater treatment plants in 67 cities and counties with total daily treatment capacity reaching approximately 20.9 million tonnes. Newly added wastewater treatment capacity in 2012 alone was approximately 1.05 million tonnes.

In Guangzhou, the volume of industrial wastewater discharged grew at a CAGR of approximately 6% from 2007 to 2011 and reached approximately 1.42 billion tonnes in 2011. Huizhou is a second tier city in Guangdong province and its industrial sector has been growing fast. In recent years, the Huizhou government has accelerated the construction of wastewater treatment plants and pipelines, and the environmental protection department had shut down 42 heavily polluting enterprises in 2009.

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Hunan Province

Hunan province has experienced a rise in wastewater treatment rate in recent years, as well as a downward trend in the volume of industrial wastewater discharged from 1.0 billion tonnes in 2007 to 0.97 billion tonnes in 2011. The Hunan government launched a “Three-Year Plan” in 2008 to accelerate construction of wastewater treatment plants in the province. By the end of the this plan, there were 119 wastewater plants with newly added daily treatment capacity totaling 4 million tonnes.

The city governments of Changsha in Hunan province attach great importance to improving the wastewater treatment infrastructure. By the end of 2011, Huaihua had only one sewage treatment plant with a limited daily treatment capacity of 45,000m³ per day which gives plenty of room for further improvement. This gives plenty of room and potential for further improvement in Huaihua. In 2003, the local government together with a Singaporean investor established Huaihua Industrial Park, which mainly caters to paper, food, metal material and biological products.

Sichuan Province

In 2007, the Sichuan provincial government issued the “Guidance on Expediting the Development of Industrial Parks”, in which it pointed out that Sichuan should be the hometown to the industries that shift away from the eastern provinces. Pursuant to the guidance circular, the Sichuan government planned to establish 20 industrial parks with annual sales of over RMB10 billion, with total output value from industrial parks aimed at over 50% of total output value in the province.

The industrial wastewater discharge volume in Sichuan had decreased from approximately 1.1 billion tonnes in 2007 to approximately 0.8 billion tonnes in 2011, while urban wastewater treatment rate rose from approximately 55% in 2007 to approximately 80% in 2011. The daily wastewater treatment capacity reached 6.1 million tonnes and the urban wastewater treatment rate reached approximately 80% by the end of 2011.

Local governments in Chengdu and Guangyuan cities have increased and are expected to continue their supports for wastewater treatment, in accordance with the provincial government’s direction. From 2007 to 2012, the Chengdu government invested RMB10.5 billion to set up 68 new wastewater treatment plants, reaching a total number of 106 treatment plants with total daily treatment capacity of 1.9 million tonnes. The Chengdu government will continue to establish wastewater treatment plants and pipeline networks in rural areas. By the end of 2015, Chengdu plans to increase the wastewater treatment rates in central urban area and county towns to 95% and 85%, respectively. Guangyuan is a prefecture-level city, with more than 13,000 industrial enterprises engaging in coal, power, food processing, machinery and pharmaceutical businesses. The Sichuan government encourages private sectors to participate in the wastewater treatment industry to gradually replace the government’s significant involvement. As the government will closely monitor polluting industrial enterprises and impose heavy penalties on offenders, this is likely to create a higher demand for wastewater treatment in Sichuan.

Industrial Wastewater Treatment in Other Provinces

Other provinces in China, including Hubei, Shandong, Jiangxi, Jiangsu and Zhejiang, are also attracting industries from developed regions and promoting industry transformation and ecological production in industrial parks. For example, the Hubei government aims to promote the development of industry clusters and the formation of industry chains in industrial parks to attract manufacturers from eastern provinces, while the Shandong government has a goal to build “Ecological Industrial Parks” with a view of reducing pollution and realizing sustainable economic growth during the 12th Five-Year Plan period. The Jiangxi government indicates that it will set up more wastewater treatment plants in the industrials parks. During the 12th Five-Year Plan period, to reduce COD emission, the Jiangxi government plans to speed up the construction of wastewater pipelines across the province,

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thereby increasing the utilization rate of county level wastewater plants. In addition, the Jiangsu government will continue to promote industry transformation in industrial parks demanding centralized treatment facilities. The Zhejiang government has also promoted the concept of ecological industrial parks and the development of recyclable economy and green manufacturing.

Regulatory Environment

The wastewater treatment industry is increasingly heavily regulated by the PRC Government through several ministries and governmental agencies such as the MWR, the Ministry of Construction, the MEP and the NDRC. In addition to national laws and regulations, local governments, including municipal and provincial governments, may issue specific implementation measures in line with national policies. For example, the PRC Government issues guidelines on wastewater tariffs, while local governments can decide their own tariff levels based on local conditions. These various laws and regulations have defined the business model and sources of turnover for players in the wastewater treatment industry.

In recent years, the PRC Government has implemented key policies on environmental protection and energy savings as well as announced a number of guidelines and regulations to promote environmental protection. Examples include the “National Groundwater Pollution Prevention and Treatment Plan (2011-2020)”, issued in October 2011, and the “China Urban Sewage Treatment and Recycling Facilities Construction Plan in 12th Five-Year”, issued in May 2012.

The PRC Government has also imposed various standards to monitor the quality of wastewater treatment and water supply services. For example, the “Technical Specifications for Electroplating Industry Wastewater Treatment (HJ2002-2010)”, issued in 2010, and the “2012 Technical Guidelines on Water Pollution Control Engineering (HJ2015-2012)”, issued in 2012, set forth the technological process of industrial wastewater treatment respectively.

For the wastewater treatment industry, there are four tiers of standards imposed, which include national standards, ministry standards, industry standards and regional standards. National standards include the Integrated Wastewater Discharge Standards and the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant. Ministry standards include the Discharge Standard for Municipal Wastewater, stipulated by the Ministry of Construction. The industry specific standards on wastewater discharge which apply to 12 specific industries, including paper, textile dyeing, steel and other industries. As the PRC Government has increasingly emphasized environmental protection in recent years, some major cities in China have started to implement stricter regional or local standards on wastewater treatment. It is expected that many other provinces and cities in China will follow these examples and require local enterprises to improve the quality of treated wastewater.

CHINA’S SLUDGE TREATMENT

Sludge is the by-product resulting from wastewater treatment and contains a large amount of nitrogen, phosphorus, potassium and organic ingredients as well as toxic and harmful components such as dioxins. Sludge treatment is a complicated process. Only less than 30% of wastewater treatment plants in cities in China can properly compress, stabilize and dehydrate sludge. According to the data collected by Ernst & Young, over 56% of wastewater treatment plants do not have stabilization treatment and nearly 49% do not have a dehydration process. Sludge output volume is about 0.5% to 1% of the volume of treated wastewater, and it was estimated that the total output of sludge in China will exceed 46 million tonnes by the end of 2015 from 23 million tonnes in 2010. Untreated sludge can cause much pollution to the environment.

Only operators with industrial solid waste certificates under the operation certificate of environmental pollution treatment facility are allowed to conduct sludge treatment business. The sludge treatment companies are required to control the sludge quality and volume as well as to manage the sludge dumping site. Size reduction is the basic requirement and the first step of the complicated

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treatment process before sludge may be dried and incinerated. Another method is to solidify and stabilize the sludge by adding a firming agent and, through various physical and chemical reactions, harmful material will be hardened around the lattice formed and be turned into solid material like soil. This solid material can be recycled and used in other applications.

The issuance of new standards and government guidance will help to drive growth of China's sludge treatment industry. The Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant sets forth the specific standard for sludge treatment while the "Guideline on Available Technologies of Pollution Prevention and Control for Treatment and Disposal of Sludge from Municipal Wastewater Treatment Plant" specifies that wastewater treatment fee should include sludge treatment costs. At the Beijing National People's Congress Standing Committee meeting in November 2010, the Committee required local governments to set up sludge treatment facilities. The sludge treatment should be included in Beijing's wastewater discharging plans. It was estimated that the total investment in sludge treatment will reach RMB34.7 billion during the 12th Five-Year Plan period, compared to RMB32.3 billion during the 11th Five-Year Plan. According to the Ernst & Young Report, the sludge treatment industry is expected to expand along with stricter environmental protection requirements and the growth of wastewater treatment capacity. Techniques that can reduce sludge volume and stabilize sludge quality are a key research direction.

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REGULATORY ENVIRONMENT

According to the Industries for Foreign Investment Guidance Catalog (2007 Revision) (《外商投資產業指導目錄(2007年修訂)》) and the Industries for Foreign Investment Guidance Catalog (2011 Revision) (《外商投資產業指導目錄(2011年修訂)》) promulgated by the MOFCOM and the NDRC, the wastewater treatment services industry and the construction and operation of urban water supply factories falls within the category of industries in which both foreign investment is encouraged. Foreign investors may participate in the construction and operation of wastewater treatment projects within the PRC by means of establishment of joint ventures or wholly foreign owned enterprises.

CAPITAL FUND SYSTEM

In accordance with the Notice of the State Council on Trial Implementation of Capital Fund System in Fixed Asset Investment Projects (《國務院關於固定資產投資項目試行資本金制度的通知》) promulgated and implemented by the State Council on August 23, 1996, the Opinion on Utilizing Foreign Funds in the Construction of Municipal Public Utilities (For Trial Implementations) (《關於城市市政公用設施建設利用外資工作的意見(試行)》) promulgated and implemented by the Ministry of Construction on May 20, 1997, the Notice of the State Council on Adjusting the Proportions of Capital Fund in Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) promulgated and implemented by the State Council on May 25, 2009, and the Notice on Issuing Opinion about Advancing Industrialization of Urban Sewage and Garbage Treatment (《國家計委、建設部、國家環保總局關於印發推進城市污水、垃圾處理產業化發展意見的通知》) promulgated and implemented by the NDRC, the Ministry of Construction (currently the Ministry of Housing and Urban-Rural Development) and the State Environmental Protection Administration (currently the Ministry of Environmental Protection) on September 10, 2002, the capital fund system is adopted for fixed asset investment projects.

Under the capital fund system, investors must contribute a certain proportion of capital as the project company's capital fund. The proportion of such contribution in wastewater treatment projects and urban water supply projects must be no less than 20% of the total project investment and the specific proportion will be determined by the approval authority of that project when reviewing the feasibility study report, taking into consideration the project's future economic benefits, banks' willingness to make loans and appraisal opinions.

CONCESSION IN BOT PROJECTS

According to the Opinion on Accelerating the Marketization of Municipal Public Utilities Industry (《關於加快市政公用行業市場化進程的意見》) promulgated and implemented by the Ministry of Construction on December 27, 2002, the Measures for the Administration on the Concession of Municipal Public Utilities (《市政公用事業特許經營管理辦法》) promulgated by the Ministry of Construction on March 19, 2004 and implemented on May 1, 2004, and the Opinion of Ministry of Construction on Strengthening the Supervision of Municipal Public Utilities (《建設部關於加強市政公用事業監管的意見》) promulgated and implemented by the Ministry of Construction on September 10, 2005, the relevant regulations governing the grant of concession rights for municipal public utilities projects are applicable to wastewater treatment projects. Government authorities should select investors and operators of wastewater treatment projects through public bidding, and enter into concession agreements to grant concession rights for municipal public utilities projects.

Terms of the Concession Right and Pricing

According to the Measures for the Administration on the Concession of Municipal Public Utilities (《市政公用事業特許經營管理辦法》) and the Notice on Issuing Opinion about Advancing Industrialization of Urban Sewage and Garbage Treatment by the National Development and Planning Commission, the Ministry of Construction and the State Environmental Protection Administration (《國家計委、建設部、國家環保總局關於印發推進城市污水、垃圾處理產業化發展

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意見的通知》), the terms of the concession rights for municipal wastewater treatment project should not exceed 30 years. After the expiration of the term, governments shall re-select the concessionaire by public tender. The wastewater treatment service fee shall be determined according to the principle that the municipal wastewater treatment facilities operators should be able to recover their cost as well as making a reasonable profit.

WATER QUALITY

The water quality of effluent flowing from municipal wastewater treatment plants should comply with the standards set out in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants (《城鎮污水處理廠污染物排放標準》) (GB18918-2002) promulgated on December 24, 2002 and amended on May 8, 2006. According to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the company operating centralized treatment facilities for municipal wastewater is responsible for the quality of the effluent from the wastewater treatment plant.

GOVERNMENT SUPERVISION PERTAINING TO BOT PROJECTS

According to the Measures for the Administration on the Concession of Municipal Public Utilities (《市政公用事業特許經營管理辦法》) and the Opinion of Ministry of Construction on Strengthening the Supervision of Municipal Public Utilities (《建設部關於加強市政公用事業監管的意見》), the government's supervision of operators of concession rights regarding wastewater treatment projects mainly includes the following:

A. Routine supervision

The authorities in charge of supervising the municipal public utilities shall carry out periodic spot checks on the quality of service provided by wastewater treatment facility operators and shall monitor the wastewater treatment cost.

B. Mid-term assessment

During the course of project operation, the authorities in charge of supervising the municipal public utility operators shall organize experts to carry out mid-term assessment of the wastewater treatment facility operators' performance; such assessment cycle shall be carried out at least every two years. Under special circumstances, the government may carry out annual assessments.

C. Supervision of material matters

Unless it is otherwise authorized by the government in advance, wastewater treatment enterprises should not transfer or lease their concession rights, dispose or mortgage project assets in the concession period, shut down or wind up without permission. Where an enterprise to which concession rights have been granted intends to unilaterally terminate the concession agreement within the concession period, it shall apply to the supervisory authority in advance. Before such authority's approval of such cancellation, the relevant enterprise shall maintain its ordinary business and service.

D. Consequences of violations

In the event that an enterprise to which concession rights have been granted has any of the following conduct during the concession period, the supervisory authority shall terminate the concession agreement according to law and may temporarily takeover the enterprise:

- (1) Transfer or lease the concession right without authorization;
- (2) Dispose of or mortgage the assets operated by it without authorization;
- (3) Occurrence of any material quality or production safety accident due to poor management;

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- (4) Close out or shut down without permission, which seriously affects public interest and safety; and
- (5) Other conduct prohibited by laws and regulations.

BIDDING AND TENDER OF BOT PROJECTS

According to the Construction Law of the PRC (《中華人民共和國建築法》) modified on April 22, 2011 and implemented on July 1, 2011 and the Bidding and Tendering Law of the PRC (《中華人民共和國招標投標法》) adopted by the National People's Congress Standing Committee of the PRC on August 30, 1999 and implemented on January 1, 2000, certain large-scale infrastructure and public utilities projects relating to social and public welfare and safety within the PRC, including surveying and prospecting, design, engineering and supervision of such projects, as well as the procurement of major equipment and materials regarding engineering and construction, shall be subject to tenders. The tender winner may, according to the provisions of the contract or the consent of the owner, sub-contract parts of the task that are not vital or principal to the project.

The Provisions on Standards for the Scope and Size of Construction Projects Requiring Tender (《工程建設項目招標範圍和規模標準規定》) issued and implemented by the State Development Planning Commission on May 1, 2000 and the Administrative Measures of Tender and Bidding for Construction Project of Buildings and Public Infrastructures (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) issued and implemented by the Ministry of Construction on June 1, 2001 further provide the specific requirements for bidding and tendering. For example, for any of the aforesaid projects, construction contracts of more than RMB2 million in value, procurement contracts of more than RMB1 million in value, service contracts of more than RMB0.5 million in value, or total investments of more than RMB30 million shall be subject to tender.

To specify the requirements and procedures for bidding and tendering, the Provisions on Tender and Bidding of Exploration and Design Work for Construction Project (《工程建設項目勘察設計招標投標辦法》), the Provisions on Tender and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》) and relevant specific provisions were promulgated, respectively.

QUALIFICATIONS FOR THE OPERATION OF ENVIRONMENTAL POLLUTION TREATMENT FACILITIES

According to the Measures for the License Administration of Qualification for Operation of Environmental Pollution Treatment Facilities (《環境污染治理設施運營資質許可管理辦法》) promulgated by the Ministry of Environmental Protection on April 30, 2012 and implemented on August 1, 2012, the operator of environmental pollution treatment facilities shall apply for a Qualification Certificate for Operation of Environmental Pollution Treatment Facilities (環境污染治理設施運營資質證書) and shall conduct the business of operating environmental pollution treatment facilities according to the provisions of the qualification certificate. Qualifications for operation of environmental pollution treatment facilities are divided into different professional categories, such as domestic wastewater, industrial wastewater, dust-removal and desulfurization, industrial exhaust gas, industrial solid wastes (excluding dangerous wastes), organic wastes, household garbage and automatic and continuous monitoring. Qualifications for operation of automatic and continuous monitoring facilities are divided into two classes, namely class B qualification and temporary qualification; while operation qualifications of other environmental pollution treatment facilities are divided into three classes, which are class A qualification, class B qualification and temporary classification. Class A, class B and temporary qualifications for operation of environmental pollution treatment facilities can be used nationwide. Certificate-holding entities may undertake businesses of operating environmental pollution treatment facilities nationwide within the categories specified in qualification certificates for operation of environmental pollution treatment facilities. Class A and class B qualifications for operation of environmental pollution treatment facilities are valid for five years, and temporary qualifications are valid for two years.

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According to the Grading and Classification Standards for the Qualification for Operation of Environmental Pollution Treatment Facilities (The First Version) (《環境污染治理設施運營資質分級分類標準(第1版)》) promulgated by the Ministry of Environmental Protection on July 27, 2012 and implemented on August 1, 2012, the application requirements for Level A Qualification Certificate are stricter than those for Level B Qualification Certificate. In particular, to apply for the Level A Qualification Certificate, an applicant is required to (i) have no fewer than 15 qualified technicians, with at least seven of these technicians having a high level of expertise; (ii) have no fewer than 40 qualified on-site management personnel and on-site operators, and (iii) have registered capital of no less than RMB10 million. To apply for the Level B Qualification Certificate, an applicant is required to (i) have no fewer than six qualified technicians, with at least three technicians having a high level of expertise; (ii) have no fewer than ten qualified on-site management personnel and on-site operators, and (iii) have registered capital of no less than RMB1 million.

WATER-DRAWING PERMIT

According to the Administrative Measures for Water-Drawing Permit and Water Resource Fee Collection (《取水許可和水資源費徵收管理條例》) promulgated by the State Council on February 21, 2006 and implemented on April 15, 2006, unless otherwise provided in the aforementioned administrative measures, any entity or individual that draws water for use shall apply for water-drawing permit and pay water resource fee. The entity or individual that applies to draw water shall file an application with the approving authority, and such application shall be subject to graded approval by competent local authority of water administration or hydrographic basin administration above county level. The validity term of water-drawing permit shall be generally five years, and shall not exceed ten years. Where the validity term expires and extension is needed, the entity or individual that draws water shall make a relevant application with the original approving authority. The entity or individual that draws water shall pay water resource fee and where more water is drawn than planned or prescribed, extra water resource fee shall be charged on the accumulative portion that exceeds the planned or prescribed amount. Where water is drawn without permission or not in compliance with the conditions of water-drawing permission, administrative penalty shall be imposed.

ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which became effective on December 26, 1989, units that cause environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council.

According to the Law of the PRC on Appraising of Environment Impact (《中華人民共和國環境影響評價法》) which came into effect on September 1, 2003, the PRC Government has set up a system to appraise the environmental impact of construction projects, and classify and administer the environmental impact appraisals in accordance with the degree of environmental impact. If a construction project may result in a material impact on the environment, an environmental impact report is required, which thoroughly appraises the potential environmental impact. If the construction project may result in a slight impact on the environment, an environmental impact report of analyzing or appraising the specific potential environmental impact is required; and if the construction project may result in very little impact on the environment, an environmental impact appraisal is not required but an environmental impact form shall be filed. The report for registration shall be approved by the relevant PRC authority before construction commences.

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According to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), and the Regulation on the Implementation of the Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法實施細則》), the enterprise operating centralized treatment facilities of urban sewage shall obtain the Pollutants Discharge Permit (排污許可證). Except for the violation by Guangzhou Xintao of wastewater discharge standard and illegal untreated wastewater discharge in 2009, we have obtained all material environmental licenses and certificates in the PRC for each of our project's current stage and have in all material respects complied with the relevant environmental protection laws and regulations during the Track Record Period and up to the Latest Practicable Date.

POLLUTANTS DISCHARGE PERMIT AND QUOTA

The pollutant discharge quota shall be approved by the relevant environment protection authority at or above the county level. The PRC Government applies a system for controlling the total amount of pollutants discharged, such as COD and sulfur dioxide, based on relevant PRC laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》). The total amount of pollutants that can be discharged by each province is determined by the PRC Government. Based on such determination, each province allocates the pollutant discharge quota among cities and counties at its own discretion. In turn, each city or county then sets the pollutant discharge quota for each pollutant discharging unit under its jurisdiction. The quota type and the allocated quota of pollutants dischargeable by each unit are allocated at the time when the relevant environmental impact assessment is completed, which occurs before the commencement of construction, and are further restated in the Pollutants Discharge Permit. The Pollutants Discharge Permit is to be issued by the relevant environment protection authority at or above the county level.

The quota allocation and criteria for applying the Pollutants Discharge Permit are based on the regulations promulgated by the relevant environmental protection authorities at the provincial level. There are no national laws or regulations issued by the PRC Government governing the quota allocation and criteria for applying the Pollutants Discharge Permit. Generally, the procedures include: (i) application to the relevant environmental protection authority; (ii) review and validation of the application by the environmental protection authority to ensure that pollutants discharged by the applicant meet the requirements of discharge standard and conform to the local control policy of total amount of pollutants discharged; and (iii) issuance of the Pollutants Discharge Permit by the environmental protection authority.

In Guangdong province, an applicant for a Pollutants Discharge Permit must satisfy the following requirements: (i) the applicant must hold the legal qualification for the production and operation of the business in which it is engaged; (ii) the applicant must have its environmental impact assessment documentation examined and approved by the environment protection authority; (iii) the relevant project has passed the checking and acceptance required by the environmental protection authority; (iv) the pollutants to be discharged must meet the national and local regulated discharge standards and are within the relevant local limits of the total amount of pollutants discharged; (v) the applicant must comply with the requirements of national and local standards for pollution prevention and control facilities and pollution treatment capacity; in addition, for facilities that have been commissioned to operate, the operational unit should have obtained the relevant Qualification Certificate; (vi) the applicant should declare and complete the registration concerning the pollutants to be discharged; (vii) the applicant has set up contingency plans, including installation of the relevant facilities and equipment, concerning pollution incidents according to the relevant regulations; (viii) the applicant has set up discharge outlets according to the relevant standards and technical specifications; and (ix) the applicant has installed an on-line monitoring system for the relevant facility which is linked to the monitoring device network of the environmental protection authority.

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In Hunan province, the application for a Pollutants Discharge Permit involves the following procedures: (i) the applicant must register with the relevant environmental protection administrative department and complete the “National Pollutant Discharge Declaration Registration Form”, (ii) the environmental protection administrative department will inspect the applicant’s facilities to determine the actual type of pollutants being discharged, the concentration, quantity and discharge methods and the destination of the discharged pollutants; (iii) the environmental protection administrative department will grant approval to the permitted type of pollutant discharge, its concentration, quantity and discharging methods and discharge destination according to the national and local pollutant discharge standards, environmental capacity and total pollutant control targets; and (iv) the applicant shall complete the application for the Pollutants Discharge Permit after completing the pollutant discharge declaration and registration. Upon receipt of such application, based on the results of its inspection, the environmental protection administrative department will issue or reject the Pollutants Discharge Permit within 15 working days.

The duration of the Pollutants Discharge Permit is to be decided by the issuance agency and ranges from one to five years. Prior to the expiration of the Pollutants Discharge Permit, the holder of the permit should apply to the issuance agency to obtain a new permit if it wishes to continue discharging pollutants. The original issuance agency has discretion in deciding whether or not to issue a new permit. There is no application fee.

There are no national laws or regulations issued by the PRC Government governing the trading or transfer of the pollutant discharge quota. At the provincial level, there have been policies or proposals set in place to allow pilot projects for pollutant discharge quota trading. For example, in January 2011, the government of Guangdong province proposed the implementation of the use and trading of pollutant discharge quota, allowing pollutant discharge quota to be transferred to other parties. On January 7, 2013, the Environmental Protection Department of Guangdong Province and Department of Finance of Guangdong Province jointly issued the Implementation Opinions on Developing Pilot Work for Pollutant Discharge Right Usage and Trading In Guangdong Province (《廣東省環保廳、廣東省財政廳關於在我省開展排污權有償使用和交易試點工作的實施意見》). In addition, on October 1, 2010, Hunan province implemented the Interim Implementation of Pollutant Discharge Right Usage and Trading (《湖南省主要污染物排污權有償使用和交易管理暫行辦法》), but such trading is only applicable to certain industries in certain cities, such as chemical, petrochemical, thermal power, steel, nonferrous metals, pharmaceutical, paper, food and construction material manufacturers located in the cities of Changsha, Zhuzhou and Xiangtan. The environmental protection authorities are entitled to reduce or cancel the pollutant discharge quota based on a number of factors, such as the adjustments of various discharging standards for pollutants, total pollutant discharging amount allocated or any new environmental protection laws and regulations promulgated with respect to pollutant discharge. The holder of a Pollutants Discharge Permit may have its permit revoked by the relevant environment protection authority if serious illegal discharge was committed. Wastewater treatment facilities can only discharge pollutants within the allocated quota. If the facility discharges pollutants without the quota or if it exceeds the allocated quota, a fine or an order to terminate the operation may be imposed on such facility.

SLUDGE TREATMENT

According to the Guangdong Province Solid Waste Treatment Administrative Licensing Implementation Measures (《廣東省嚴控廢物處理行政許可實施辦法》), The Sludge Treatment Permit shall be obtained for the regulated waste disposal including the sludge in Guangdong province. In order for an applicant to obtain a Sludge Treatment Permit, the following requirements must be met:

- (1) the applicant must have more than two technicians with at least two years of experience in solid waste pollution treatment and an Environmental Engineering qualification or a relevant qualification with intermediate work title;

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- (2) the project site selection shall strictly conform to the provincial waste treatment planning, and the treatment facilities and technologies shall strictly conform to the provincial waste treatment technical specifications as well as meet the requirements for trial operations and formal operations; and
- (3) the applicant must have rules and regulations in place that guarantee safe waste disposal and have safety measures for emergency.

The administrative procedures in relation to the application for a Sludge Treatment Permit include the following:

- (1) The applicant shall submit a written application with supporting documents to the relevant environmental protection authority at or above the county level;
- (2) The relevant environmental protection authority shall complete the preliminary examination within 20 days after receiving the application and then report to the environmental protection authority at provincial level for determination;
- (3) The relevant environmental protection authority at the provincial level shall conduct an on-site inspection on the premises and facilities of the applicant. Such environmental protection authority shall make the decision within 20 days as to whether such permit is to be issued and will announce the decision accordingly. If approved, the relevant environmental protection authority shall grant the Sludge Treatment Permit to the qualified applicant.

According to the relevant regulation promulgated by the People's Government of Guangdong on September 7, 2012, the issuer of the Sludge Treatment Permit have changed from environmental protection authority at the provincial level to the environmental protection authorities of the prefecture-level city.

ENVIRONMENTAL WARNING

According to the "Management Measures on Major Pollution Sources Environmental Protection Credit in Guangdong Environmental Protection Bureau" (《廣東省環境保護廳重點污染源環境信用管理辦法》) ("Management Measures"), an enterprise would be listed as a "yellow card enterprise" subject to environmental warning if, amongst other things, the relevant indicators show that the enterprise has emitted certain level of pollutants which exceeds the applicable imposed limit or standard or other minor environmental non-compliance activities existed. The environmental protection credit rating is conducted once a year by the Guangdong Provincial Environmental Protection Bureau. According to our PRC legal counsel, naming an entity a "yellow card enterprise (an entity subject to environmental warning)" (黃牌企業(環保警示企業)) is not an administrative penalty under the PRC laws or regulations. Our PRC legal counsel has advised us that an entity being named a "yellow card enterprise" is analogous to a guidance notice given by the Guangdong Provincial Environmental Protection Bureau to an entity which should take steps to rectify and/or improve its operations in order to avoid further violation of the relevant environmental laws or regulations and/or to rectify its minor environmental non-compliance activities.

An enterprise can apply for removal from the yellow card enterprises list by seeking an adjustment to its environmental credit rating within six months from the date on which the credit rating was published by the Guangdong Provincial Environmental Protection Bureau, and if such enterprise has taken steps to rectify its environmental non-compliance activities and is accordingly found to be in compliance with the applicable standards, it will then be removed from the list on the date on which the Guangdong Provincial Environmental Protection Bureau issues a letter confirming that the relevant entity's credit rating adjusted. As an alternative, according to the Management Measures, the Guangdong Provincial Environmental Protection Bureau conducts an environmental credit rating review for enterprises every year. Accordingly, "yellow card enterprise" status of an enterprise may be changed to a "green card enterprise (creditworthy enterprise of environmental

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protection) (綠牌企業(環保誠信企業))” in the following year if the discharge and control of the pollutants by such enterprise has improved to such extent that it meets or exceeds the applicable standards set for “green card enterprise” upon the annual environmental credit rating review. These standards include, among others, the strict compliance of the level of pollutant emission and the relevant environmental laws or regulations.

LAND USE RIGHTS AND CONSTRUCTION LAND PLANNING PERMIT

According to the revised Land Administration Law of the PRC (《中華人民共和國土地管理法》) which became effective on August 28, 2004, land owned by the State may be granted or held under license by construction units or individuals according to law. The People’s Government at or above the county level shall register and put on record uses of state-owned land used by construction units or individuals, and issue certificates to certify the land use rights. If the land is occupied without approval or by deception, the land administrative departments of the People’s Government at or above the county level shall order the construction units or individuals to return the land that is illegally occupied. Where the act involves turning agricultural land into land for construction uses without authorization, which is in violation of the general plan for utilization of land, a demolition order may be imposed on the newly constructed buildings and other structures on the land illegally occupied requiring demolition within a prescribed time limit. In addition, the People’s Government can issue an order to confiscate the newly constructed buildings and other structures and to impose a fine where the act has not violated the general plans for the utilization of land. Persons directly responsible for the aforementioned misconduct are subject to administrative punishment and where the case constitutes a crime, criminal responsibility shall be affixed.

On January 1, 2008, the Urban and Rural Planning Law of the PRC (the “Urban and Rural Planning Law”) (《中華人民共和國城鄉規劃法》) was implemented by the Standing Committee of the National People’s Congress. According to the Urban and Rural Planning Law, a Construction Land Planning Permit is needed for the use of both allocated land and granted land.

Construction Land Use Planning Permit. For a construction project using allocated land, once the project has been authorized, approved, or recorded by relevant administrative departments, the construction entity of such project shall apply to the urban and rural planning administrative department at the municipal or county level for construction planning permission. The abovementioned administrative department will further determine the location, size and scope allowed for construction based on regulatory detailed planning and will issue a Construction Land Use Planning Permit.

Before the granting of a state-owned land use right, the urban and rural planning administrative department at the municipal or county level will specify certain planning conditions, such as the location and nature of the land and intensity of exploitation based on the regulatory detailed planning. Such planning conditions will be incorporated in the state-owned land use right grant contract. After entering into such state-owned land using right grant contract, the construction entity using such granted land shall apply to the urban and rural planning administrative department at the municipal or county level for a Construction Land Use Planning Permit.

If a construction unit who was authorized to use the construction land fails to obtain a Construction Land Use Planning Permit, the People’s Government at or above the county level shall withdraw the authorization to use the state-owned land. If the land has already been occupied, it shall be returned promptly. Furthermore, the construction unit shall be obliged to compensate for any damage caused to any other relevant parties according to law.

Construction Work Planning Permit. According to the Urban and Rural Planning Law, for construction work that was conducted in the city or town planning area, the construction entity shall apply to the competent administrative department or People’s Government for a Construction Work Planning Permit. For construction work that proceeded without the Construction Work Planning

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Permit or in violation of the provisions of the Construction Work Planning Permit, the urban and rural planning administrative department at or above the county level can order the termination of such construction. If the impact on the planning caused by such construction can be eliminated, the department shall order such construction entity to make a correction within a prescribed time limit and pay a fine of not less than 5% of the construction cost but not more than 10% of such cost; if such impact cannot be eliminated, the department shall order the construction entity to demolish such buildings or structures. For construction work that cannot be demolished, the department shall confiscate such buildings or structures or seize any illegal income and may also impose a fine not more than 10% of the construction cost.

Construction Work Commencement Permit. According to the Construction Law of the PRC (《中華人民共和國建築法》) implemented on March 1, 1998 and the Administrative Regulation of Construction Work Quality (《建設工程質量管理條例》) implemented on January 30, 2000, a construction entity shall, prior to the start of construction of a construction project, apply to the competent department of the construction administration of the People's Government at or above the county level of the place where the project is to be located for a Construction Work Commencement Permit pursuant to the relevant regulations. However, small projects, as determined by the competent department of construction administration of the State Council, are subject to exceptions. Also, a construction project which has already obtained approvals for its construction commencement report pursuant to the terms of reference and procedures prescribed by the State Council is no longer required to obtain a Construction Work Commencement Permit. If a construction entity carries out construction work without obtaining a Construction Work Commencement Permit or in circumstances where its construction commencement report has not been approved, it shall be ordered to stop the construction work and to make corrections within a certain time limit. The construction entity shall also be fined not less than 1% but not more than 2% of the contractual project price.

According to the certification dated April 10, 2013 issued by the Urban-rural Construction Bureau of Zengcheng city, due to the change of administrative functions in Zengcheng city, the regulatory body for administrative management of water related project construction shall be Water Resource Bureau of Zengcheng city and therefore the issuance of the construction work commencement permit for the buildings and structures of Guangzhou Yinglong and Guangzhou Haitao shall be handled by the Water Resource Bureau of Zengcheng city rather than the Urban-rural Construction Bureau of Zengcheng city.

Acceptance Checks. According to the Administrative Regulation of Construction Work Quality (《建設工程質量管理條例》) and the revised Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) which entered into effect on October 19, 2009, a construction project shall not be delivered for use unless it has passed the acceptance checks. Where a construction entity illegally delivers the construction project for use without obtaining the acceptance checks or in circumstances where it failed to pass the acceptance checks, it shall be ordered to make corrections and also pay a fine of not less than 2% but not more than 4% of the contractual project price, and shall be obliged to pay compensation if any losses have been caused. The construction entity should file a record at the competent construction administrative department at or above the county level at the place where the project is located within 15 days from the day when the construction project passes the acceptance checks. If the construction entity fails to file such a record within the time limit, it shall be ordered to make corrections within a prescribed time limit and shall be fined not less than RMB200,000 but not more than RMB500,000.

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TAXATION

Business Tax

According to the Reply of the State Administration of Taxation on exempting Business Tax for Wastewater Treatment Fees (《國家稅務總局關於污水處理費不徵收營業稅的批復》) promulgated and implemented by the State Taxation Administration on December 14, 2004, the wastewater treatment service provided by a wastewater treatment enterprise does not fall into the scope of work that should be subject to business tax. Therefore, no business tax will be levied on the wastewater treatment fee.

Value Added Tax

According to the Notice of Ministry of Finance and State Taxation Administration on Value Added Tax Policy of Comprehensive Utilization of Resources and Other Products (《財政部、國家稅務總局關於資源綜合利用及其他產品增值稅政策的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on December 9, 2008 and amended on April 1, 2013, the state exempts the wastewater treatment services from value added tax from January 1, 2009. Wastewater treatment services is the business through which the wastewater (including municipal sewage and industrial wastewater) will be dealt with to satisfy the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) or the direct discharge limit regulated under the national and local water pollutants discharge standard.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated on March 16, 2007 and effective on January 1, 2008 and the Implementation Rules on the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and effective on January 1, 2008, high and new technology enterprises that require key state support are subject to the applicable enterprise income tax rate with a reduction to 15%. The income from environmental protection projects, or energy and water saving projects, which meet relevant requirements, shall be exempted from enterprise income tax for three years commencing from the first revenue-generating year of operations, and thereafter be entitled to a 50% reduction from enterprise income tax for the next three years. The specific conditions and scope of projects shall be jointly formulated by the competent department of finance and taxation of the State Council in collaboration with other relevant departments of the State Council and shall be publicized and implemented after being approved by the State Council.

HISTORY AND REORGANIZATION

OUR HISTORY

General

Our Company was incorporated in the Cayman Islands on November 30, 2010 and, as part of the Reorganization, became the holding company of our various subsidiaries. Prior to the incorporation of our Company and the completion of the Reorganization, our business was conducted by our operating subsidiaries in the PRC, namely Guangzhou Kaizhou and Guangzhou Xintao.

History

Our history can be traced back to 1999 when Xi Zhou Enterprises was established. In 2003, Guangzhou Kaizhou and Guangzhou Xintao were established in the PRC by Xi Zhou Enterprises as wholly foreign owned enterprises. Since our establishment, we have set up wastewater treatment plants in the Guangdong province and Hunan province. We have been providing wastewater treatment services in the PRC, as well as supplying water for industrial use in the PRC.

Since our establishment, we have received a number of awards and accolades. For details of our awards, please refer to the section headed “Business — Awards” in this prospectus.

Significant Milestones

The following highlights our significant development milestones:

- | | |
|------|---|
| 1999 | Xi Zhou Enterprises was incorporated. |
| 2003 | We commenced construction of Guangzhou Xinzhou Industrial Park Treatment Facility, our first wastewater treatment and industrial water supply plant in Zengcheng city, Guangdong province (a location near the downstream of the Pearl River Delta) where enterprises engaged, amongst others, in textiles and dyeing industry. |
| 2005 | We completed construction and started operations of Guangzhou Xinzhou Industrial Park Treatment Facility (Phase I). |
| 2009 | We completed construction and started operations of Guangzhou Xinzhou Industrial Park Treatment Facility (Phase II) and Longmen Xilin Treatment Facility (Phase I). |
| 2010 | We acquired in aggregate 75% interest in Huaihua Tianyuan, which operated the Huaihua Tianyuan Wastewater Treatment Facility in Huaihua city, Hunan province, expanding our services to areas outside of Guangdong province, and serving industries other than textiles.

We started operations of Yonghe Haitao Wastewater Treatment Facility (Phase I) and Longmen Xilin Treatment Facility (Phase II). |
| 2012 | We started operations of the Yinglong Project and Yonghe Haitao Treatment Facility (Phase II).

We acquired the remaining 25% interest in Huaihua Tianyuan, which then became our wholly-owned subsidiary. |

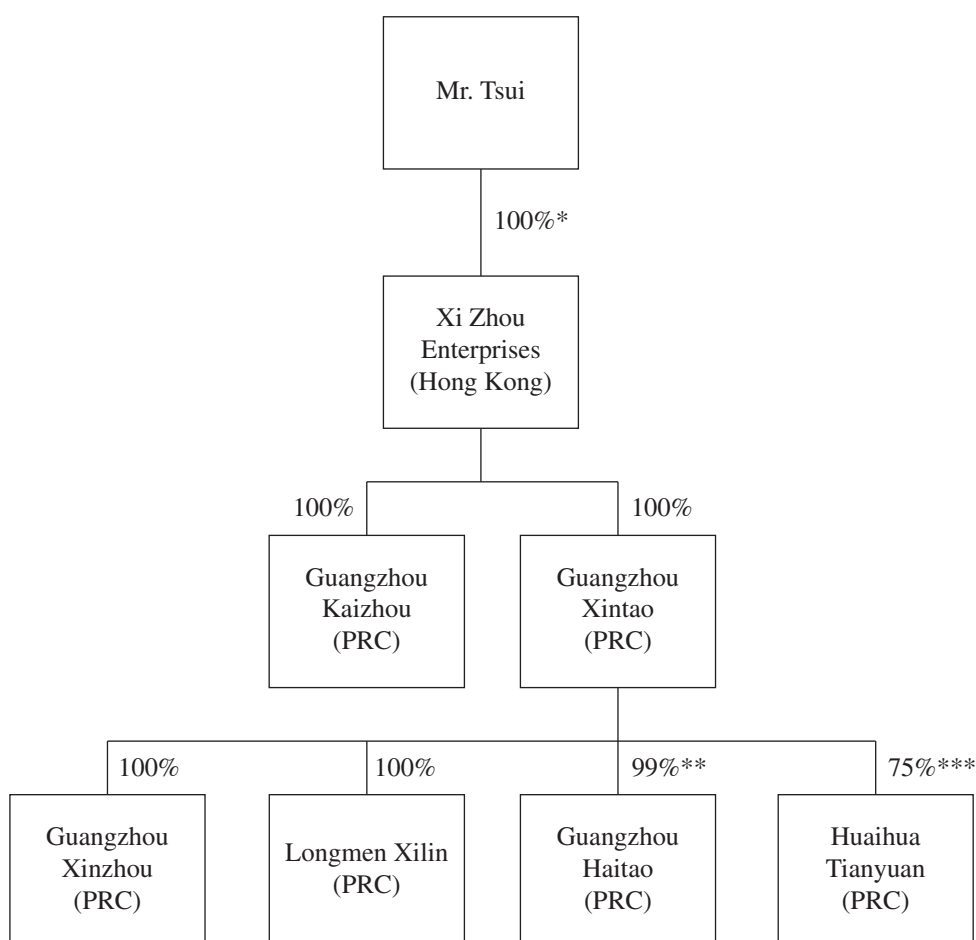
HISTORY AND REORGANIZATION

OUR REORGANIZATION

Prior to our Reorganization, Xi Zhou Enterprises was owned by Mr. Tsui as to 100%, of which 1% was held on trust for Mr. Xu Shu Biao (徐樹標), 1% was held on trust for Ms. Rao Pu (饒樸), 6% was held on trust for Mr. Li Sze Lim (李思廉), 6% on trust for Ms. Cheung Yee Man (張綺雯), and 2% on trust for Great Nation. These beneficial owners of the interests in Xi Zhou Enterprises were not parties acting in concert and there were no special voting arrangements among themselves. Our PRC legal counsel has confirmed that these entrustment arrangements are not in violation of any PRC laws.

Xi Zhou Enterprises was the sole shareholder of Guangzhou Kaizhou and Guangzhou Xintao. Guangzhou Xintao wholly owned Guangzhou Xinzhou and Longmen Xilin. It was also interested in 99% of Guangzhou Haitao and 75% of Huaihua Tianyuan.

Prior to our Reorganization, our shareholding structure was as follows:



* 16% was held on trust by Mr. Tsui for certain other individuals and companies. Please refer to the paragraphs below headed “Entrustment Arrangements” in this prospectus for further details.

** The remaining 1% interest was held by Guangzhou To Kee.

*** The remaining 25% interest was held by Shenzhen Jialinyuan, an independent third party.

HISTORY AND REORGANIZATION

Entrustment Arrangements

Prior to our Reorganization, Mr. Tsui held certain interests in Xi Zhou Enterprises on trust for certain other individuals and companies pursuant to various entrustment arrangements.

According to the entrustment agreement dated May 23, 2003 entered into between Mr. Tsui and Mr. Xu Shu Biao, Mr. Tsui held 1% interest in Xi Zhou Enterprises on trust for Mr. Xu Shu Biao. According to the entrustment agreement dated May 23, 2003 entered into between Mr. Tsui and Ms. Rao Pu, Mr. Tsui held 1% interest in Xi Zhou Enterprises on trust for Ms. Rao Pu. Mr. Xu Shu Biao and Ms. Rao Pu were independent third parties at the time when the respective entrustment agreements were entered into. Currently, Mr. Xu Shu Biao is an executive Director.

According to the share transfer agreement dated December 31, 2008 entered into between Mr. Tsui and Great Nation, Mr. Tsui transferred 2% of his beneficial interest in Xi Zhou Enterprises to Great Nation and thereafter held such interests on trust for Great Nation. Great Nation and Mr. Lu Yili, the sole shareholder of Great Nation, were both independent third parties at the time when the aforementioned trust arrangement was entered into. Currently, Mr. Lu Yili is an executive Director.

According to the two share transfer agreements dated December 3, 2009 entered into by Mr. Tsui with Mr. Li Sze Lim and Ms. Cheung Yee Man, Mr. Tsui transferred 6% and 6% of his beneficial interests in Xi Zhou Enterprises to Mr. Li Sze Lim and Ms. Cheung Yee Man, respectively, at a consideration of RMB10.8 million and RMB10.8 million, respectively, and thereafter held such interests on trust for them respectively. Mr. Li Sze Lim and Ms. Cheung Yee Man were both independent third parties at the time when the aforementioned trust arrangements were entered into.

Details of the aforementioned entrustment arrangements are as follows:

Name of subsidiary	Name of Nominee	Name of Beneficiary	Relationship of Beneficiary with Mr. Tsui / Xi Zhou Enterprises on the date of the respective entrustment arrangement was entered into	Total percentage held for beneficiary	Date of Entrustment Arrangement
Xi Zhou Enterprises	Mr. Tsui	Mr. Xu Shu Biao	independent third party	1%	May 23, 2003
	Mr. Tsui	Ms. Rao Pu	independent third party	1%	May 23, 2003
	Mr. Tsui	Great Nation (wholly owned by Mr. Lu Yili)	independent third party	2%	December 31, 2008
	Mr. Tsui	Mr. Li Sze Lim	independent third party	6%	December 3, 2009
	Mr. Tsui	Ms. Cheung Yee Man	independent third party	6%	December 3, 2009

The reasons for Mr. Tsui, Mr. Xu Shu Biao and Ms. Rao Pu to enter into the aforementioned entrustment arrangements in 2003 were that such arrangements represented an incentive bonus to Mr. Xu Shu Biao and Ms. Rao Pu for founding Guangzhou Xinzhou, and the beneficial interests in Xi Zhou Enterprises were transferred to them at nominal consideration. Pursuant to such arrangements, Mr. Tsui had the right to vote on behalf of Mr. Xu Shu Biao and Ms. Rao Pu, and he must vote in accordance with their wishes, on any matter relating to Xi Zhou Enterprises. In practice, Mr. Tsui has not voted on any matter contrary to the wishes of Mr. Xu Shu Biao or Ms. Rao Pu.

In addition, Mr. Tsui held the interests of Mr. Xu Shu Biao, Ms. Rao Pu, Mr. Li Sze Lim, Ms. Cheung Yee Man, and Great Nation on trust for them because it was considered more beneficial to the interests of our Group as a whole if Mr. Tsui remained and was seen as the sole owner of our Company. Firstly, Mr. Tsui enjoys a good reputation in the industry and has on many occasions represented our Group in negotiating with business partners in the PRC. Accordingly, we believed that it would be

HISTORY AND REORGANIZATION

commercially advantageous in negotiating future business deals if Mr. Tsui is seen as the sole owner. Secondly, we believed that our employees may regard transfers of shares as a change in control and management of our Company which may create uncertainties, leading them to cast doubt on the stability in the management team. To avoid such a misconception, Mr. Tsui decided to hold the beneficial interests in Xi Zhou Enterprises on trust for the aforementioned parties, instead of transferring such interests to them directly.

Restructuring of our Subsidiaries

Prior to our Reorganization, our subsidiaries underwent the following restructuring activities:

Establishment of PRC subsidiaries

Guangzhou Kaizhou

Guangzhou Kaizhou was established under the laws of the PRC on September 28, 2003 with a registered capital of HK\$20.0 million. Its scope of business includes the development and operation of water supply facilities and wastewater treatment. Since its establishment, Guangzhou Kaizhou has been wholly owned by Xi Zhou Enterprises.

Guangzhou Xintao

Guangzhou Xintao was established under the laws of the PRC on September 28, 2003 with a registered capital of HK\$28.0 million. Its scope of business includes wastewater treatment and construction of wastewater treatment facilities. Since its establishment, Guangzhou Xintao has been wholly owned by Xi Zhou Enterprises.

Guangzhou Xinzhou

On June 10, 2003, Guangzhou Xinzhou was established under the laws of the PRC with a registered capital of RMB10.0 million. Its scope of business includes the development of wastewater treatment facilities and the management of industrial park properties. Upon its establishment, Guangzhou Xinzhou was held as to 90% by Guangzhou To Kee and 10% by Mr. Xu Zi Tao, a brother of Mr. Tsui and a cousin of Mr. Xu Ju Wen.

Pursuant to a share transfer agreement dated December 1, 2004, Guangzhou To Kee transferred its 30% equity interest in Guangzhou Xinzhou to Mr. Xu Zi Tao at a consideration of RMB3.0 million, which was determined with reference to the registered capital of Guangzhou Xinzhou at that time. As a result of such transfer, Guangzhou Xinzhou was held as to 60% by Guangzhou To Kee and 40% by Mr. Xu Zi Tao.

Pursuant to a share transfer agreement dated June 3, 2010, Guangzhou To Kee and Mr. Xu Zi Tao transferred their entire interests in Guangzhou Xinzhou to Guangzhou Xintao at a consideration of RMB6.0 million and RMB4.0 million, respectively, which were determined with reference to the registered capital of Guangzhou Xinzhou at that time. Since the completion of such transfers, Guangzhou Xinzhou has been wholly owned by Guangzhou Xintao.

Guangzhou Haitao

On November 9, 2009, Guangzhou Haitao was established under the laws of the PRC with a registered capital of RMB10.0 million. Its scope of business includes wastewater treatment construction and operation of wastewater treatment and other environmental pollution control facilities, environmental engineering design, technical advice, sludge disposal services, research, development and sales of bio-organic fertilizers. Upon its establishment, Guangzhou Haitao was held as to 51% by Guangzhou Xintao and 49% by Guangzhou To Kee.

HISTORY AND REORGANIZATION

On December 4, 2009, the registered capital of Guangzhou Haitao was increased to RMB30.0 million by the pro-rata contributions in cash of Guangzhou Xintao and Guangzhou To Kee.

Pursuant to a share transfer agreement dated July 28, 2010, Guangzhou To Kee transferred its 48% interest in Guangzhou Haitao to Guangzhou Xintao at a consideration of RMB14.4 million, which was determined with reference to the registered capital of Guangzhou Haitao at that time. Since the completion of such transfer, Guangzhou Haitao has been owned as to 99% by Guangzhou Xintao and 1% by Guangzhou To Kee.

Longmen Xilin

Longmen Xilin was established under the laws of the PRC on March 21, 2008 with a registered capital of RMB5.0 million. Its scope of business includes wastewater treatment and the development and operation of waste treatment facilities. Since its establishment, Longmen Xilin has been wholly owned by Guangzhou Xintao.

Huaihua Tianyuan

Huaihua Tianyuan was established under the laws of the PRC on May 21, 2009 with a registered capital of RMB10.0 million. Its scope of business includes investment in wastewater treatment projects, such as the development and sale of environmental protection products. At the time of its establishment, Huaihua Tianyuan was wholly owned by Mr. Gong Shu Ngai (龔樹毅), an independent third party at that time.

Pursuant to a share transfer agreement dated August 18, 2009, Mr. Gong transferred his 50% interest in Huaihua Tianyuan to Shenzhen Jialinyuan, an independent third party engaged in wastewater treatment projects in the PRC at the time of transfer, at a consideration of RMB5.0 million, which was determined with reference to the registered capital of Huaihua Tianyuan at that time. As a result of such transfer, Huaihua Tianyuan was held as to 50% by Mr. Gong and 50% by Shenzhen Jialinyuan.

Pursuant to a share transfer agreement dated January 25, 2010, Mr. Gong transferred his entire interest, and Shenzhen Jialinyuan transferred its 10% interest, in Huaihua Tianyuan to Guangzhou Xintao at a consideration of RMB5.0 million and RMB1.0 million, respectively, which were determined with reference to the registered capital of Huaihua Tianyuan at that time. As a result of such transfers, Huaihua Tianyuan was owned as to 60% by Guangzhou Xintao and 40% by Shenzhen Jialinyuan.

Pursuant to a share transfer agreement dated August 12, 2010, Shenzhen Jialinyuan transferred its 15% interest in Huaihua Tianyuan to Guangzhou Xintao at a consideration of RMB1.5 million, which was determined with reference to the registered capital of Huaihua Tianyuan at that time. Since the completion of such transfer, Huaihua Tianyuan has been owned as to 75% by Guangzhou Xintao and 25% by Shenzhen Jialinyuan.

We acquired Huaihua Tianyuan for the following reasons: firstly, it offered us an opportunity to expand the geographical scope of our business to regions outside the Guangdong province; secondly, the acquisition of Huaihua Tianyuan was in line with our strategy to focus on industrial wastewater treatment since Huaihua Tianyuan's facility services an industrial park with wastewater sourced mainly from the industrial sector; and thirdly, we believed that the acquisition of Huaihua Tianyuan represented a good profit opportunity in the long run since the concession rights of Phase II of Huaihua Tianyuan Treatment Facility represented an additional designed capacity of 55,000 m³ per day for wastewater treatment.

HISTORY AND REORGANIZATION

Establishment of Hong Kong subsidiary

Xi Zhou Enterprises

Xi Zhou Enterprises was incorporated in Hong Kong on July 28, 1999. At the time of its establishment, it was wholly owned by Mr. Tsui and his spouse. The funds for setting up Xi Zhou Enterprises were contributed out of the capital of Mr. Tsui and his spouse.

Share Transfers

On December 31, 2008, Mr. Tsui entered into a share transfer agreement with Great Nation pursuant to which Mr. Tsui agreed to transfer 2% of his beneficial interest in Xi Zhou Enterprises to Great Nation, at a consideration of RMB3.6 million, and thereafter held such interests on trust for Great Nation. Such consideration was determined with reference to the net profit of Xi Zhou Enterprises in 2008 which amounted to approximately RMB36 million, and represented approximately five times the price-earnings ratio of Xi Zhou Enterprises in 2008. The consideration was settled in full on January 6, 2009.

On December 3, 2009, Mr. Tsui entered into a share transfer agreement with each of Mr. Li Sze Lim and Ms. Cheung Yee Man, respectively. Pursuant to these agreements, Mr. Tsui agreed to transfer 6% and 6% of his beneficial interests in Xi Zhou Enterprises to Mr. Li Sze Lim and Ms. Cheung Yee Man, respectively, at a consideration of RMB10.8 million and RMB10.8 million, respectively, and thereafter held such interests on trust for them. Such considerations were determined with reference to the net profit of Xi Zhou Enterprises in the first ten months of 2009. The considerations were settled in full on December 15, 2009.

Reorganization

In preparation for the Global Offering, we underwent the following Reorganization:

Establishment of holding companies

Two holding companies, Bright Sign and Keen Vast were incorporated in the British Virgin Islands on October 12, 2010 and October 15, 2010, respectively, to act as the intermediate holding company for the interests in Xi Zhou Enterprises held by our Company and the holding company for the interests of the Shareholders, respectively.

The initial authorized share capital of each of Bright Sign and Keen Vast was US\$50,000 divided into 50,000 shares of US\$1.00 each.

Establishment of our Company

Our Company was incorporated in the Cayman Islands on November 30, 2010 to act as the ultimate holding company and listing vehicle of our Group. The initial authorized share capital of our Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. Upon incorporation, one subscriber share was transferred to Mr. Tsui.

Assignment of Interests in Xi Zhou Enterprises

On March 25, 2011, Mr. Li Sze Lim and Ms. Cheung Yee Man assigned their rights in their respective 6% interests in Xi Zhou Enterprises to each of Green Prosper and Yifeng Investments, companies wholly owned by Mr. Li Sze Lim and Ms. Cheung Yee Man, respectively, at the time of assignment. The reason for such assignments is to facilitate the management of shareholdings by Mr. Li Sze Lim and Ms. Cheung Yee Man.

HISTORY AND REORGANIZATION

Transfer of shares to our Company, Mr. Tsui and Keen Vast

On November 8, 2010, one share in Bright Sign and one share in Keen Vast were allotted to Mr. Tsui.

On March 24, 2011, Mr. Tsui transferred his one share in Bright Sign to our Company.

On March 24, 2011, Mr. Tsui transferred his one share in our Company to Keen Vast.

Acquisition of Xi Zhou Enterprises

On March 25, 2011, Mr. Tsui transferred to Bright Sign his entire interests (including the beneficial interests held on trust for the respective beneficiaries, namely, Mr. Xu Shu Biao, Ms. Rao Pu, Green Prosper, Yifeng Investments and Great Nation) in Xi Zhou Enterprises, in consideration of which, 859,999 Shares were allotted and issued to Keen Vast, and an aggregate of 140,000 Shares were allotted and issued to Mr. Tsui, who held 60,000, 60,000 and 20,000 Shares on trust for Green Prosper, Yifeng Investments and Great Nation, respectively, credited as fully paid, as directed by Bright Sign. At the same time, 99 shares in Keen Vast were allotted and issued to Mr. Tsui, of which one share was held on trust for each of Mr. Xu Shu Biao and Mr. Rao Pu.

As a result of the aforementioned acquisition, Mr. Tsui no longer held any shares in Xi Zhou Enterprises, and he held on trust 1% interest in Keen Vast for each of Mr. Xu Shu Biao and Mr. Rao Pu, and held on trust 6%, 6% and 2% interests in our Company for each of Green Prosper, Yifeng Investments and Great Nation, respectively.

Elimination of Trust Arrangements

On May 31, 2011, in preparation for the Global Offering and to enable the trust beneficiaries to hold their interests directly, Mr. Tsui transferred his 2% legal interests in Keen Vast equally to the respective trust beneficiaries, namely, Mr. Xu Shu Biao and Ms. Rao Pu, and his 14% legal interests in our Company to the respective trust beneficiaries, namely Green Prosper, Yifeng Investments and Great Nation, in the proportion of 6%, 6% and 2%, respectively. The interests of Mr. Xu Shu Biao and Ms. Rao Pu have been diluted as a consequence of the Reorganization. This arrangement has been negotiated with and agreed by Mr. Xu Shu Biao and Ms. Rao Pu. According to the confirmations dated February 23, 2011, Mr. Xu Shu Biao and Ms. Rao Pu confirmed that they had agreed to such arrangements based purely on the commercial considerations and would not challenge the reasonableness of such arrangements in future. Furthermore, they confirmed that there was no benefit accruing from our Company to them in connection with the Reorganization.

Establishment of Guangyuan Xizhou

Guangyuan Xizhou was established under the laws of the PRC on July 11, 2011 with a registered capital of HK\$95.0 million. Its scope of business includes wastewater treatment, construction of environmental pollution control facilities, solid waste disposal services and offering consulting services. Since its establishment, Guangyuan Xizhou has been owned as to 99% by Xi Zhou Enterprises and as to 1% by Zengcheng City Guangying Spinning Enterprises Company Limited (增城市廣英紡織實業有限公司), an independent third party.

Change in Registered Capital of Guangzhou Haitao

On July 21, 2011, Guangzhou Haitao increased its registered capital to RMB50.0 million. On September 11, 2012, Guangzhou Haitao further increased its registered capital to RMB80.0 million. Such increases in registered capital have been completed and approved by the relevant PRC governmental authority.

HISTORY AND REORGANIZATION

Establishment of Guangzhou CT

Guangzhou CT was established under the laws of the PRC on October 17, 2011 with a registered capital of RMB10.0 million. Since its establishment, Guangzhou CT has been wholly owned by Guangzhou Xintao. Guangzhou CT is currently inactive and had no operations during the Track Record Period.

Change in Registered Capital of Guangzhou Xintao

On May 23, 2011, the registered capital of Guangzhou Xintao was increased to HK\$58.0 million.

Acquisition of 46% interest in Guangzhou Yinglong

On September 15, 2011, Guangzhou Xintao, Xintang Environmental and Mr. Lu Zhiji (盧志基) (“Mr. Lu”) entered into a cooperation agreement (the “Cooperation Agreement”). Xintang Environmental was established under the laws of the PRC in 2002 and its scope of business includes, among others, property leasing and management, as well as wastewater treatment services. Mr. Lu is a director of Tian Tian and Guangzhou Tian Tian Chemical Engineering Company Limited (廣州天添化工有限公司), which is a sino-foreign cooperative joint venture, of which the capital is wholly contributed by Hong Kong To Kee, and is engaged in, among other things, the manufacturing and sale of chemical washing products. At the time of the acquisition of the Yinglong Project by Guangzhou Yinglong, the shareholders of Xintang Environmental were Mr. Ge Zaili (葛再利), Mr. Li Jingshi (李警師), Ms. Yuan Fengying (袁鳳英), Zengcheng Jinri Textile Company Limited (增城市金日紡織實業有限公司) and Zengcheng Xinle Real Estate Company Limited (增城市新樂房地產有限公司), all of whom are independent third parties.

Pursuant to the Cooperation Agreement, Guangzhou Xintao, Xintang Environmental and Mr. Lu agreed to form a project company to be owned by them as to 46%, 49% and 5%, respectively, for the purpose of bidding for the Yinglong Project and ultimately owning the Yinglong Project. As the project company had not been formed at the time of the tender process, the parties agreed to bid for the Yinglong Project using Guangzhou Xintao to participate in the tender process for the Yinglong Project on behalf of the project company. Pursuant to the Cooperation Agreement, if Guangzhou Xintao wins the bid for the Yinglong Project, it shall transfer the Yinglong Project to the project company.

On November 2, 2011, Guangzhou Xintao successfully won the bid for the Yinglong Project for a total consideration of RMB222.6 million, and on November 15, 2011, Guangzhou Xintao entered into a wastewater treatment project transfer agreement (the “Project Agreement”) with Xintang Water. Pursuant to the Project Agreement, Guangzhou Xintao is required, within nine months after taking over the Yinglong Project, to commence operating phase two of the Yinglong Project with a designed capacity of 150,000 m³ and to comply with the relevant municipal, provincial and national compliance standards. Completion of the transfer of the Yinglong Project from Xintang Water was conditional upon satisfaction of certain conditions precedent. Before completing the transfer in March 2012, the Yinglong Project was owned and operated by Xintang Water.

Guangzhou Yinglong was established under the laws of the PRC on February 27, 2012 with a registered capital of RMB1.0 million. Its scope of business includes wastewater treatment, environmental pollution control, project construction, the technological development, consulting and sales of environmental protection products and equipment. On the date of its establishment, Guangzhou Yinglong was owned as to 40% by Ms. Yuan Fengnv (袁鳳女), 40% by Mr. Chen Weixin (陳偉新), and 20% by Mr. Chen Jingzeng (陳景增). Pursuant to the Cooperation Agreement, Ms. Yuan Fengnv, Mr. Chen Weixin and Mr. Chen Jingzeng were nominated by Xintang Environmental to form the project company Guangzhou Yinglong with Guangzhou Xintao and Mr. Lu. Ms. Yuan Fengnv, Mr. Chen Weixin and Mr. Chen Jingzeng are independent third parties, not separately engaged in wastewater treatment business.

HISTORY AND REORGANIZATION

Pursuant to a share transfer agreement dated February 29, 2012, Ms. Yuan Fengnv, Mr. Chen Weixin and Mr. Chen Jingzeng agreed to transfer 20.4%, 20.4% and 5.2% of the equity interests in Guangzhou Yinglong held by them respectively to Guangzhou Xintao at an aggregate consideration of RMB0.46 million and Mr. Chen Jingzeng agreed to transfer 5% of his equity interests in Guangzhou Yinglong to Mr. Lu at a consideration of RMB50,000. As a result of such transfers, Guangzhou Yinglong was owned as to 46% by Guangzhou Xintao, 19.6% by Ms. Yuan Fengnv, 19.6% by Mr. Chen Weixin, 9.8% by Mr. Chen Jingzeng and 5% by Mr. Lu, who is an independent third party. We are entitled to share the profits of Guangzhou Yinglong, if any, through our 46% stake in Guangzhou Yinglong. In addition, Guangzhou Xintao has significant influence but no board control over Guangzhou Yinglong. Guangzhou Yinglong is accounted for as an associate of our Group.

On March 1, 2012, the transfer of the Yinglong Project by Xintang Water to Guangzhou Xintao was completed after satisfaction of the conditions precedent. On the same date, Guangzhou Xintao entered into an agreement (the "Transfer Agreement") with the project company Guangzhou Yinglong pursuant to which Guangzhou Xintao agreed to transfer the Yinglong Project to Guangzhou Yinglong in accordance with the Cooperation Agreement and the transfer was also completed on the same date. The Transfer Agreement provides that Guangzhou Yinglong will be responsible for the operation of the Yinglong Project, and all profits or losses arising from the operation of the Yinglong Project shall be borne by Guangzhou Yinglong. On the same date, Guangzhou Xintao entered into an entrustment agreement with Guangzhou Yinglong pursuant to which Guangzhou Xintao agreed to provide operation and management consulting services to Guangzhou Yinglong for an annual fee.

All wastewater treatment operators are required under the applicable PRC laws to obtain the Qualification Certificate for operating wastewater treatment plants. Since Guangzhou Yinglong does not possess the Qualification Certificate to operate the Yinglong Project, it has engaged Guangzhou Xintao, which possesses the necessary Qualification Certificate, to operate the Yinglong Project on its behalf. Similar to the arrangements between our other subsidiaries and Guangzhou Xintao, Guangzhou Xintao entered into an entrustment agreement with Guangzhou Yinglong, pursuant to which Guangzhou Yinglong will pay an annual fee to Guangzhou Xintao in consideration for the operation services provided by Guangzhou Xintao. The annual fee was determined based on arm's-length negotiations between Guangzhou Xintao and Guangzhou Yinglong taking into account the costs to be incurred by Guangzhou Xintao, primarily labor costs for the staff appointed to Guangzhou Yinglong, plus a premium. Our PRC legal counsel has confirmed that such entrustment arrangement is legally valid and is in compliance with the PRC laws and regulations.

The salient terms of the entrustment agreement are set out below:

Term	A period of three years commencing from March 1, 2012. Renewal of the agreement is subject to further negotiation between the parties.
Provision of services	Guangzhou Xintao agreed to provide certain operation and management consulting services to Guangzhou Yinglong in return for an annual fee, which is calculated based on the volume of wastewater treated at a rate of RMB 0.07 per m ³ . Guangzhou Xintao will initially appoint five technical staff members to monitor and advise on the operation of the wastewater treatment plant of the Yinglong Project.
Key rights and obligations of the parties	Guangzhou Xintao is responsible for, among others: <ul style="list-style-type: none">ensuring that the quality of the wastewater treated is in compliance with the relevant national standard;

HISTORY AND REORGANIZATION

- providing operational training to the staff employed by Guangzhou Yinglong;
- maintaining mechanical equipment and repairing the wastewater treatment plant; and
- assisting Guangzhou Yinglong in performing the relevant environmental administration procedures and submitting operational records to the environmental protection authorities.

Guangzhou Yinglong is responsible for, among others:

- bearing all the operational costs of the Yinglong Project and other relevant charges or fees payable to the relevant authorities in accordance with applicable laws and regulations; and
- ensuring that both the quantity and quality of the wastewater supplied for treatment are in compliance with the design and capacity of the wastewater treatment plant.

On March 11, 2013, Guangzhou Yinglong increased its registered capital to RMB80 million by way of capitalizing its capital reserve. Such increase in registered capital has been completed and approved by the relevant PRC governmental authority.

Our PRC legal counsel has advised that our acquisition of the assets in connection with the Yinglong Project under the Project Agreement, and the transfer of the Yinglong Project to Guangzhou Yinglong under the Transfer Agreement are legally valid.

We believe the acquisition of the Yinglong Project presented a viable and attractive business opportunity with, among others, the following benefits:

- the wastewater treatment facility of the Yinglong Project had already been in operation;
- a number of textile companies with potentially high and stable demand for wastewater treatment services are located in the area of the Yinglong Project; and
- the business of our Group will be enhanced through the acquisition of the Yinglong Project, which helps to increase the market share and competitive strength of our Group in the wastewater treatment industry.

In view of the above benefits, our Directors believe that the acquisition of the Yinglong Project will facilitate our Group to better utilize its experience in providing integrated and large-scale industrial wastewater treatment services and is in line with our Group's development strategy.

Further, Guangzhou Yinglong is intended by its shareholders to be a project company which owns the Yinglong Project. Our Company will procure that Guangzhou Yinglong will not compete with our Group for the new projects after the Listing.

HISTORY AND REORGANIZATION

Acquisition of Huaihua Tianyuan

Pursuant to a share transfer agreement dated January 10, 2012, Shenzhen Jialinyuan agreed to transfer its 25% equity interest in Huaihua Tianyuan to Guangzhou Xintao at a consideration of RMB8.5 million, which was determined, amongst others, with reference to the registered capital of Huaihua Tianyuan at that time plus a premium for recognizing the contribution to the growth and development of Huaihua Tianyuan by Shenzhen Jialinyuan. As a result of such transfer, Huaihua Tianyuan became a wholly owned subsidiary of Guangzhou Xintao.

PRC Governmental Approvals

On August 8, 2006, MOFCOM, SASAC, SAT (國家稅務總局), SAIC (國家工商行政管理總局), CSRC and SAFE jointly issued the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (as amended, re-promulgated and effective on June 22, 2009) (《關於外國投資者併購境內企業的規定》) (the “Foreign Investors M&A Rules”). The Foreign Investors M&A Rules require that an application be made to MOFCOM for examination and approval in relation to the acquisition of any company inside China affiliated with a domestic company, enterprise or natural person, which is made in the name of an overseas company lawfully established or controlled by such domestic company, enterprise or natural person. The Foreign Investors M&A Rules also provide that the overseas listing of a special purpose company controlled directly or indirectly by PRC companies or individuals on an overseas stock market must be approved by CSRC.

As advised by our PRC legal counsel, since (i) our ultimate Controlling Shareholder is a Hong Kong permanent resident, (ii) Guangzhou Xintao, Guangyuan Xizhou and Guangzhou Kaizhou have been foreign investment enterprises since their establishment, and (iii) the acquisitions of Guangzhou Xinzhou, Guangzhou Yinglong and Huaihua Tianyuan by Guangzhou Xintao and the investment and establishment of Longmen Xilin, Guangzhou CT and Guangzhou Haitao by Guangzhou Xintao are categorized as investments by foreign investment enterprise within the PRC, the Listing is not subject to the Foreign Investors M&A Rules and does not require the approval of CSRC.

Pursuant to SAFE’s Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司境外融資及返程投資外匯管理有關問題的通知》) (“Circular No. 75”), issued on October 21, 2005, which became effective on November 1, 2005, (i) a PRC resident, including a PRC resident natural person or a PRC company, must register with the local branch of SAFE before he establishes or controls an overseas special purpose vehicle (“SPV”) for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes his assets of or equity interests in a domestic enterprise into a SPV, or engages in overseas financing after contributing such assets or equity interests into a SPV, such a PRC resident must register his interest in the SPV and the change thereof with the local branch of SAFE; and (iii) when the SPV undergoes a material event outside of China, such as a change in share capital or merger and acquisition, the PRC resident must, within 30 days from the occurrence of such event, register such change with the local branch of SAFE.

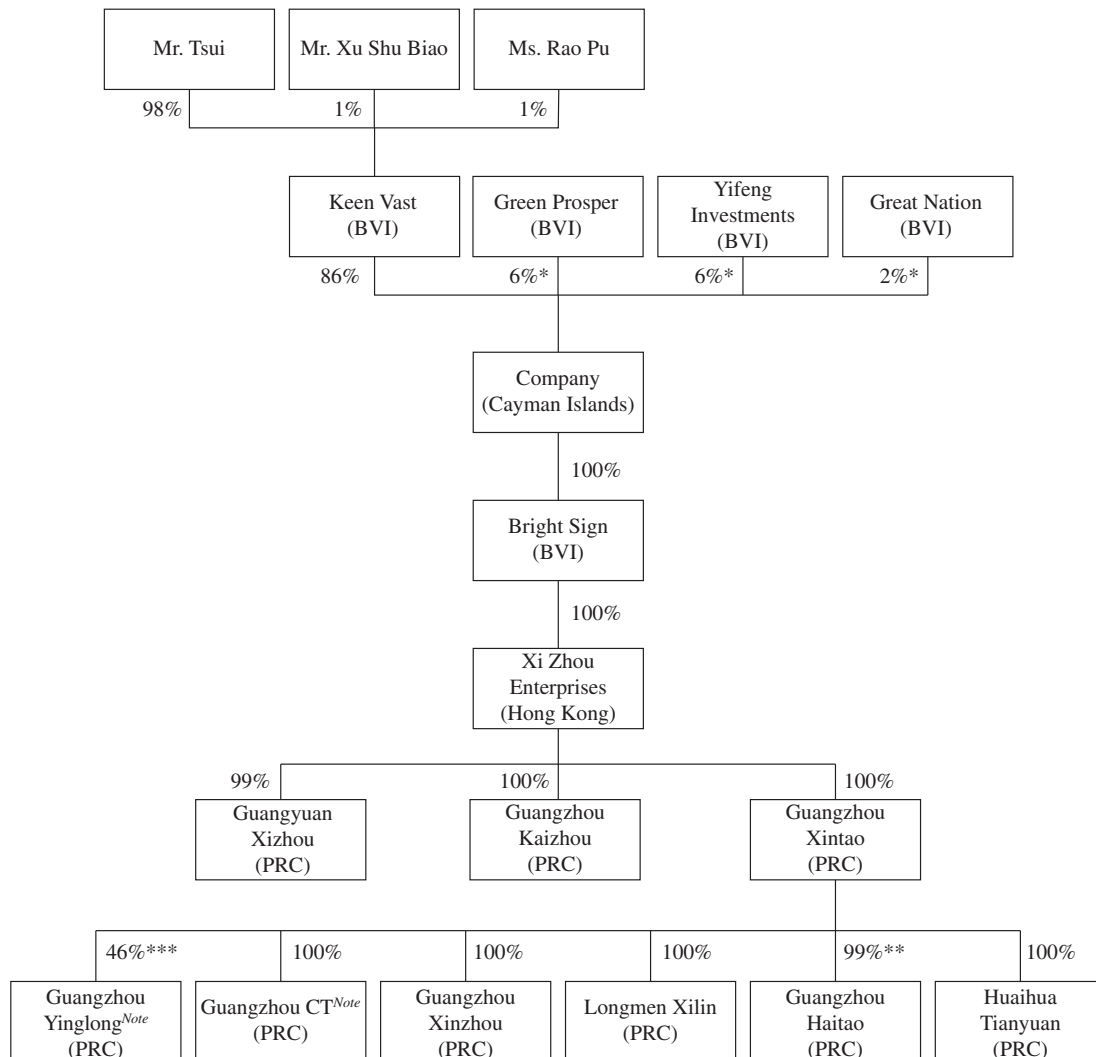
SAFE subsequently issued relevant guidance to its local branches with respect to the operational process for SAFE registration under Circular No. 75, which standardized more specific and stringent supervision on the registration relating to Circular No. 75 and imposed obligations on onshore subsidiaries of a SPV to coordinate with and supervise the beneficial owners of such SPV who are PRC residents to complete the SAFE registration process. Our PRC legal counsel has advised us that as Mr. Tsui, Mr. Li Sze Lim, Ms. Cheung Yee Man are Hong Kong permanent residents, and Mr. Lu Yili is a Singapore citizen, Circular No. 75 does not apply to Mr. Tsui, Mr. Li Sze Lim, Ms. Cheung Yee Man and Mr. Lu Yili and they are not required to comply with the registration requirements under Circular No. 75. Further, while Mr. Xu Shu Biao and Ms. Rao Pu are PRC resident natural persons, based on

HISTORY AND REORGANIZATION

the previous oral communication of our PRC legal counsel with the Guangdong Branch of SAFE, we have been advised by our PRC legal counsel that such acquisition of interests by Mr. Xu Shu Biao and Ms. Rao Pu does not fall within the scope of Circular No. 75, and that they are not required to comply with the registration requirements thereunder.

Our PRC legal counsel has confirmed that the relevant entities within our Group have obtained all the necessary requisite permits, licenses and approvals for each stage of the restructuring of our PRC subsidiaries as described above.

Upon completion of the aforementioned steps, the shareholding structure of our Group was as follows:



* Green Prosper is wholly owned by Mr. Li Sze Lim, Yifeng Investments is wholly owned by Ms. Cheung Yee Man, and Great Nation is wholly owned by Mr. Lu Yili.

** The remaining 1% interest was held by Guangzhou To Kee.

*** The remaining interests were held as to 19.6% by Ms. Yuan Fengnv, 19.6% by Mr. Chen Weixin, 9.8% by Mr. Chen Jingzeng and 5% by Mr. Lu Zhiji, all of whom are independent third parties.

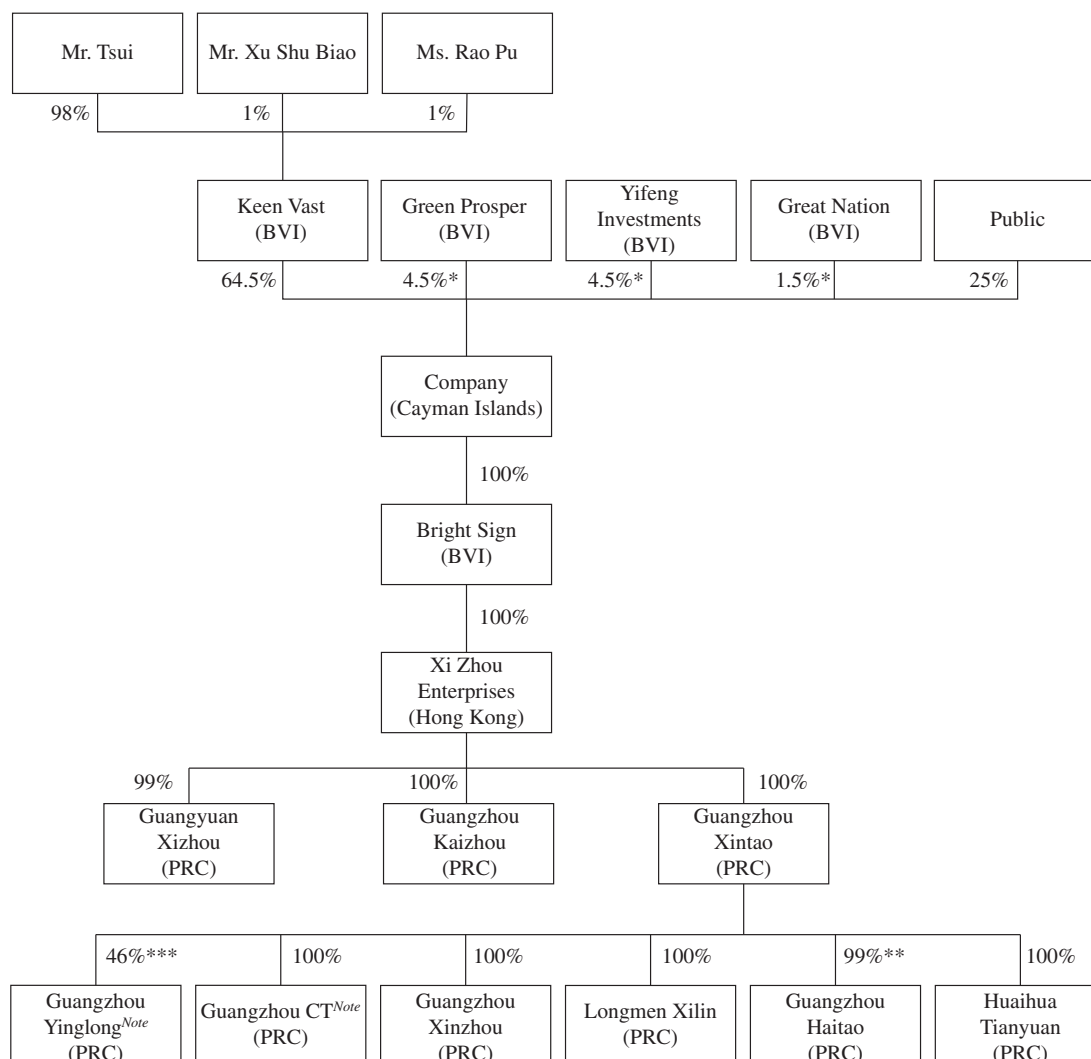
Note: Except for Guangzhou Yinglong which is our associate and Guangzhou CT which is currently inactive, each of our Company's subsidiaries is a principal operating subsidiary of our Company.

HISTORY AND REORGANIZATION

Capitalization Issue

Conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors would be authorized to capitalize the amount of HK\$101,900,000 from such account and applying such sum in paying up in full at par a total of 1,019,000,000 Shares for the allotment and issue to its then shareholders recorded on the register of members of our Company on the date the Capitalization Issue was approved by our Shareholders on a pro rata basis.

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the shareholding structure of our Group will be as follows:



* Green Prosper is wholly owned by Mr. Li Sze Lim, Yifeng Investments is wholly owned by Ms. Cheung Yee Man, and Great Nation is wholly owned by Mr. Lu Yili.

** The remaining 1% interest was held by Guangzhou To Kee.

*** The remaining interests were held as to 19.6% by Ms. Yuan Fengnv, 19.6% by Mr. Chen Weixin, 9.8% by Mr. Chen Jingzeng and 5% by Mr. Lu Zhiji, all of whom are independent third parties.

Note: Except for Guangzhou Yinglong which is our associate and Guangzhou CT which is currently inactive, each of our Company's subsidiaries is a principal operating subsidiary of our Company.

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OVERVIEW

We are a provider of one-stop centralized and customized wastewater treatment and industrial water supply services in China, focusing on industrial wastewater treatment. Our services cover the whole value chain of the wastewater treatment and industrial water supply services industry, from design planning, procurement and construction, to operations and maintenance of the wastewater treatment and water supply facilities. In 2003, we commenced construction of our flagship project, Guangzhou Xinzhou Industrial Park Treatment Facility, at Guangzhou Xinzhou Industrial Park. This facility was one of the five industrial wastewater treatment projects in Guangdong province that were named “2007 Key National Model Project for Practical Technology in Environmental Protection” (2007年國家重點環保實用技術示範工程) by the China Environmental Protection Industry Association (中國環境保護產業協會). According to the Ernst & Young Report, this industrial park is one of the leading textile and dyeing industrial parks in China in terms of wastewater treatment capacity. It has also been recognized by the Guangdong Province Environmental Protection Industry Association in 2011 as a leading industrial park with the largest centralized wastewater treatment facilities in terms of treatment capacity for the textile industry in the province.

Our principal business is the provision of industrial wastewater treatment and industrial water supply services. We also take on certain projects to provide municipal wastewater treatment services if we consider such projects to be beneficial to us, taking into account factors such as profit margins and development of relationships with local governments. In general, industrial wastewater treatment services have a higher gross profit margin than municipal wastewater treatment services, according to the Ernst & Young Report. Some of our treatment facilities are able to treat a mixture of industrial and municipal wastewater.

We focus on developing centralized and cost-efficient wastewater treatment facilities for industrial parks or clusters. Many local governments in China are increasingly promoting the large-scale development of selected industries in the form of specialized industrial parks or clusters. We expect this trend to continue and intend to capitalize on the anticipated industrial growth by actively seeking business opportunities in, and further expanding our operations to, other parts of China such as Sichuan, Hubei, Jiangxi and Guangxi provinces. We believe our strong track record in providing centralized wastewater treatment and industrial water supply services positions us well to capitalize on the continued industrial growth in China.

We have historically focused on providing treatment services to the textile industry. We are headquartered in Zengcheng city, Guangdong province, which produced more than 60% of the denim apparel in China in 2009 according to the People’s Government of Zengcheng city. In 2003, we commenced construction of our flagship project, the Guangzhou Xinzhou Industrial Park Treatment Facility, and as of December 31, 2012, we had provided wastewater treatment services to 35 companies in the textile industry in Zengcheng city. We have expanded our business and operations considerably over the past few years. We currently operate four wastewater treatment plants (including that under the Yinglong Project) and one industrial water supply plant in operation in Guangdong province and one wastewater treatment plant in operation in Hunan province. These facilities have an aggregate constructed capacity of 365,000 m³ per day (including 100,000 m³ per day for the Yinglong Project held by Guangzhou Yinglong, of which we own a 46% equity interest) for wastewater treatment and 150,000 m³ per day for industrial water supply. For the year ended December 31, 2012, these facilities had an aggregate daily average utilized capacity of 286,973 m³ per day (including 72,681 m³ per day for the Yinglong Project) for wastewater treatment and 96,836 m³ per day for industrial water supply.

We commenced operations at our Huaihua Tianyuan Treatment Facility (Phase I) in July 2010. As of the Latest Practicable Date, it was serving 12 companies which had commenced formal operation within the industrial park where the Huaihua Tianyuan Treatment Facility operates. This project signifies our expansion of wastewater treatment services from the textile industry to other

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industries, such as the pulp and paper-making industry as well as the food and beverage industry. We are also constructing an industrial wastewater treatment and industrial water supply facility in Guangyuan city in Sichuan province, which is expected to commence operation in late 2013. We expect to leverage our successful experience in providing centralized wastewater treatment services in the development of our new projects.

Our total turnover grew during the Track Record Period, from HK\$361.4 million in 2010 to HK\$462.3 million in 2011 and to HK\$383.8 million in 2012, representing a CAGR of 3.05%. Our total turnover was HK\$133.7 million for the four months ended April 30, 2013. Our gross profit margin also grew during the Track Record Period, from 51.7% in 2010 to 57.7% in 2011 and to 65.8% in 2012, representing a CAGR of 12.81%. Our gross profit margin was 59.4% for the four months ended April 30, 2013. For more details, please refer to the section headed “Financial Information — Description of Selected Income Statement Line Items — Gross profit and gross profit margin” in this prospectus.

Core Business — Wastewater Treatment and Industrial Water Supply Services

We focus on providing integrated, customized, centralized and large-scale industrial wastewater treatment and industrial water supply services in a cost-effective and timely manner. Our services encompass the whole value chain of the wastewater treatment and industrial water supply services industry, which covers the processes of project selection, project design, execution and project management, procurement and construction, as well as ongoing operation and maintenance of wastewater treatment and industrial water supply facilities.

Wastewater Treatment — BOO, BOT and O&M Project Models

We use principally the Build-Own-Operate (“BOO”) or Build-Operate-Transfer (“BOT”) project model to provide our wastewater treatment services. The differences between our BOO and BOT project models are summarized below. For more details, please refer to the sections headed “Industry Overview — China’s Wastewater Treatment Industry — Wastewater Treatment Operating Modes” and “Business — Our Project Management Process” in this prospectus.

For BOO projects, the relevant project company builds, owns and operates the facility and retains all of the surplus operating revenue. In general, the project company is responsible for financing the project and relevant land acquisition costs, and designing, constructing, operating and managing the project. The BOO project model is more commonly used for industrial wastewater treatment, including construction projects in industrial parks where the local governments may not have sufficient capital to finance treatment facilities. The local governments do not generally provide direct funding for BOO projects, but may offer other financial incentives such as tax reductions or tax holidays. We typically finance our BOO projects through a combination of our own funds and bank loans secured by the project company’s assets. We cooperate with the local government in the development of the relevant industrial park, starting from the master-planning process, followed by the design, construction and commencement of operation of our facilities. We further collaborate with the local government in attracting industry players to establish their operations in the industrial parks. Our BOO projects can generally earn a higher profit margin as, unlike our BOT projects, they are not subject to fixed government tariffs, and we thus have greater flexibility in formulating pricing policy and passing increased costs to our customers. The relevant local government will recommend a maximum price for each BOO project, and a project company can apply to the relevant government authority to increase this recommended maximum price. In general, the return on investment for BOO projects is on average higher than that for BOT projects. For our BOO projects, we rely on certain significant customers, particularly in the textile industry. We intend to increase our return on investment for these projects by expanding our operations and engaging more customers. In general, growth in BOO wastewater treatment projects is primarily driven by industrialization as well as government policy on reducing industrial pollution.

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For BOT projects, the relevant government or industry player grants the operational right to the relevant project company, which builds and operates the facility for a specified period pursuant to a concession agreement, and transfers ownership of the project facility to the government or other specified party upon the expiry of the specified concession period, generally for nil consideration. The project company is responsible for financing, designing, constructing, operating and managing the project for the duration of this specified concession period. BOT projects can generally be adopted in both municipal and industrial wastewater treatment projects. However, we currently mainly provide municipal wastewater treatment services using the BOT project model. BOT projects are acquired by means of an open tender process, and are routinely monitored by the authorities in charge of supervising municipal public utilities. Further, we are generally required to carry out comprehensive repair works prior to the transfer, and in some cases provide a warranty period of 12 months following the transfer. In general, BOT project companies receive a stable return on investment during the concession period to cover initial costs as well as treatment costs by receiving periodic payments from the government or industry player, as applicable, for wastewater treatment services. Unlike BOO projects for which wastewater treatment prices may be freely negotiated subject to a government-recommended maximum price, tariffs for BOT projects are determined by a pricing adjustment formula consisting of factors such as interest rates and utility prices. These cost factors are generally reviewed every two or three years or as designated in the concession agreement. If costs have exceeded the designated range, the project company has the right to request the payment to increase correspondingly subject to the government's approval. Due to this limitation on pricing flexibility, BOT projects in general earn lower profit margins and return on investment than BOO projects. In general, growth in BOT wastewater treatment projects is driven by urbanization and the government's increasing promotion of environmental protection policies.

Capitalizing on our knowledge and experience in wastewater treatment, we intend to commence providing O&M services to third parties by the end of 2013. Under the O&M project model, we intend to operate and maintain existing water or wastewater treatment facilities for our O&M customers in exchange for a fee. For more details, please refer to the section headed "Business — O&M Projects" in this prospectus.

Wastewater Treatment — BOO and BOT Project Accounting Treatment

The accounting treatment of a BOT project is different from that of a BOO project. The mix of BOO and BOT project models will have an impact on our turnover and cost recognition, cash flows and gross profit margin during the relevant periods. For more details, please refer to the sections headed "Financial Information — Overview — Wastewater Treatment — BOO and BOT Project Accounting Treatment", "Financial Information — Description of Selected Income Statement Line Items — Turnover" and "Financial Information — Factors Affecting Our Results of Operations — Project Model Mix" in this prospectus.

Sludge Treatment

We currently treat sludge produced as a byproduct as our own wastewater treatment process through a comprehensive treatment process and give the post-treated sludge to third parties for legitimate industrial use or disposal. At our Guangzhou Xinzhou Industrial Park Treatment Facility, we currently treat sludge produced as a by-product of our own wastewater treatment using our solar industrial sludge drying system. The post-treated sludge at this facility may be used as a component of fuel substitute by blending with additional fuels such as coal for use in certain manufacturing processes. We may sell this fuel substitute in the future and, as advised by our PRC legal counsel, the sale of fuel substitute does not require additional licenses and approvals. At our Yonghe Haitao Treatment Facility, we currently treat sludge produced as a by-product of our own wastewater treatment using a fully enclosed and continuous sludge compost fermentation facility. We obtained a Sludge Treatment Permit for our Yonghe Haitao Treatment Facility in March 2013 and we are now permitted to provide sludge treatment services to third parties in respect of municipal wastewater.

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Subject to negotiation with the third-party customers, we intend to charge them for the provision of sludge treatment services based on treatment volume of the sludge supplied by such customers. The post-treated sludge at this facility may be used as bio-organic fertilizers for agriculture and we plan to apply for the relevant licenses and approvals for the sale of these bio-organic fertilizers.

Heating Services

As a complementary business, we have provided heating services to our customers in Guangzhou Xinzhou Industrial Park since July 2011. Pursuant to an agreement and a supplementary agreement for the provision of heating services entered into on January 26, 2011 between Guangzhou Xintao and Xintang Heat in July 2011, we commenced procuring heating from Xintang Heat, which provides heating services to customers outside the industrial park, but does not currently provide any such service within the park. We in turn provide heating services to our customers in Guangzhou Xinzhou Industrial Park. Guangzhou Xintao has received approval from the relevant authorities in Xintang to expand its scope of business to include the provision of central heating services. Our PRC legal counsel has advised us that no additional permits or licenses are required for Guangzhou Xintao to provide central heating services in Guangzhou Xinzhou Industrial Park. We believe that, by providing central heating services in Guangzhou Xinzhou Industrial Park, we can benefit both the environment and the companies within the park, including Guangzhou Xintao. For more details, please refer to the section headed “Business — Our Projects — Guangzhou Xinzhou Industrial Park Treatment Facility” in this prospectus.

While we intend to expand our operations into other waste treatment areas, the provision of wastewater treatment services will continue to be our core business in the future. Please refer to the section headed “Risk Factors” for more information on the risks associated with our business and future development.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that differentiate us from our competitors in the wastewater treatment and industrial water supply services industry in China.

Experience in providing integrated, customized, centralized and large-scale industrial wastewater treatment and industrial water supply services

We are qualified to operate our wastewater treatment facilities nationally and across industries. We focus on providing integrated, customized, centralized and large-scale industrial wastewater treatment and industrial water supply services in a cost-effective and timely manner. Our services encompass the whole value chain of the wastewater treatment and industrial water supply services industry, which covers the processes of project selection, project design, execution and project management, procurement and construction, as well as the ongoing operation and management of the treatment and water supply facilities. We have experience in providing such integrated solutions to our customers in a cost-effective and timely manner. During the project design phase, we collaborate with our customers to assess their needs and, based on such assessment, design a customized treatment plan to ensure the post-treated water meets the regulated discharge standards for the respective industry. We believe that the collaboration with our customers at an early stage during the project design phase allows us to effectively design the appropriate treatment process, as well as to monitor and control the level of pollutants during the operations and management phase.

We believe we are one of the pioneers in developing centralized wastewater treatment facilities for textile and dyeing industries in Guangdong province. On January 30, 2011, the Guangdong Province Environmental Protection Industry Association issued a certificate, which certified that Guangzhou Xinzhou Environmental Protection Industrial Park began its construction in 2003 and that Guangzhou Xintao is one of the pioneers in the environmental protection industry that provide centralized textile and dyeing industrial wastewater treatment in Guangdong province. We also believe that our provision of centralized treatment solutions to multiple customers allows us to achieve

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economies of scale. We believe that it is usually difficult for a company to execute large wastewater treatment projects, and the fact that we have been able to successfully do so and replicate this model for subsequent projects, is, we believe, a testament to our ability to utilize our resources to continue executing similarly large-scale projects. For example, in Guangzhou Xinzhou Industrial Park, the number of our customers operating in this industrial park has increased in the past few years. Most of these customers are in the textile industry. As we utilize the infrastructure and technologies targeted to treat large quantities of wastewater from similar sources and containing similar pollutants, we are able to derive economies of scale.

We also have a strong track record of utilizing our management bandwidth, technology, skills and internal systems to execute large projects. Some of our projects in operation include Guangzhou Xinzhou Industrial Park Treatment Facility, which has a designed industrial wastewater treatment capacity of 100,000 m³ per day and industrial water supply capacity of 150,000 m³ per day, and Yonghe Haitao Treatment Facility (Phase I and Phase II) which has a designed capacity of 100,000 m³ per day. We expect to leverage our successful experience in providing centralized industrial wastewater treatment services to secure future projects and maintain our market position in the wastewater treatment industry in China.

Early mover in the wastewater treatment and industrial water supply services industry

We are among the first providers of centralized wastewater treatment services for textile and dyeing industries in Guangdong province, which is one of the leading provinces in environmental protection in China, according to the Ernst & Young Report.

In 2003, we commenced construction of our first treatment plant and water supply facilities as part of Guangzhou Xinzhou Industrial Park, after discussion and planning with the government of Zengcheng city, Guangdong province. Since 2007, we have developed projects in other locations in Guangdong and Hunan provinces. We recently expanded our wastewater treatment services beyond the textile industry into other industries. For Phase I of our Huaihua Tianyuan Treatment Facility, we provide wastewater treatment services to customers operating in industries such as pulp and paper-making as well as food and beverage. We expect to continue providing wastewater treatment services to additional industries. We believe our early mover position and our ability to provide integrated, customized and centralized wastewater treatment and industrial water supply services to various customers in multiple industries will give us a strong competitive edge over our competitors.

We believe there are entry barriers for potential competitors to enter into certain areas to compete with us in providing wastewater treatment and industrial water supply services. The relevant environmental protection department sets and allocates the pollutants discharge quota for a designated area. Once the fixed amount of pollutants discharge quota has been fully allocated to the relevant entities by the local government in the regions where we operate, new enterprises intending to start operations in the relevant regions may not be able to obtain any pollutants discharge quota and therefore, may not be able to obtain approval from the local government to operate in the relevant regions. As such, in certain designated area where we have obtained an allocated pollutants discharge quota and any remaining discharge quota has been allocated to the other entities, there may be no additional pollutants discharge quota available for any new enterprises. As such, we believe the fixed pollutants discharge quota allocated to us forms a regional entry barrier to our potential competitors, providing us with a strong competitive advantage in such regions. For more details on our pollutants discharge quota, please refer to the section headed “Business — Our Project Management Process — Pollutant Discharge Quota” in this prospectus.

Strong in-house R&D and technical capabilities

Our R&D team focuses on developing designs using our technologies adapted to the specific customized projects after we investigate and research the background of our projects. As of the Latest Practicable Date, we had seven patents in connection with our wastewater treatment business. For

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example, some of the notable technologies and techniques include a type of textile and dyeing wastewater solid removal equipment, a type of anaerobic treatment equipment and a type of solar industrial sludge drying system. For more details, please refer to the sections headed “Business — Research and Development” and “Statutory and General Information — Information about our Business — 2. Intellectual property rights of our Group” in this prospectus. In addition, we capitalize on the expertise of well-known universities and institutes such as South China Institute of Environmental Sciences (華南環境科學研究所) and Sun Yat-Sen University (中山大學) to improve our wastewater treatment technologies or our capabilities on environmental protection.

Our technical capabilities have enabled us to control and monitor the level of pollutants in the water or wastewater during our treatment process. In particular, using our centralized monitor system at the respective treatment plants, our experienced technical specialists, on a daily basis, control and monitor the pollutant level of our water or wastewater and adjust the treatment process accordingly, allowing us to effectively and efficiently treat the water or wastewater to attain the water quality standard specified in the agreements with our customers. Our technical capabilities also allow us to reclaim post-treated wastewater for industrial use. Generally, the COD level of our post-treated wastewater is lower than the prescribed COD level imposed by the national and regional environmental regulations. Our ability to attain such a low COD level in post-treated wastewater has enabled us to reclaim post-treated wastewater for industrial use at any plant equipped with combined wastewater treatment and industrial water supply facilities and reduce our discharge amount of such post-treated wastewater, which effectively increases the total amount of wastewater that we can treat and generate revenue from. In particular, in our Guangzhou Xinzhou Industrial Park Treatment Facility, we engage in a full cycle of water treatment to efficiently reclaim post-treated industrial wastewater for industrial use by our customers.

Besides utilizing customized technologies and techniques for treating wastewater in the textile industry, we also utilize technologies for treating wastewater for other industries and have the flexibility in applying and adapting such technologies to suit new industries. In particular, we have applied a combined chemical and biological wastewater treatment process for our customers in the pulp and paper-making industry at our Huaihua Tianyuan Wastewater Treatment Facility. As of the Latest Practicable Date, our in-house R&D team consisted of 15 members. We believe our strong R&D and technical capabilities as well as our flexibility in adapting and applying our existing technologies to suit other new industries position us well to seize on future business opportunities in providing wastewater treatment and industrial water supply services in other industries and regions of China.

Well-positioned to benefit from the increasing focus by the PRC Government on environmental protection and favorable governmental policies

The PRC Government increased investment in environment protection during the past two decades. The PRC Government plans to invest approximately RMB3.4 trillion in environmental protection during the 12th Five-Year Plan period between 2011 and 2015, including investment in wastewater treatment and water supply infrastructure. We believe this anticipated increase in government spending on the wastewater treatment and water supply infrastructure will further increase the demand for our services. In addition to our wastewater treatment and industrial water supply services, we also intend to expand into other environmental protection businesses such as waste treatment services including sludge treatment for third parties.

Environmental regulatory requirements in the PRC are becoming increasingly stringent as the PRC Government sets stricter water quality standards for the wastewater treatment services industry. Local governments are also active in the enforcement of environmental policies, inspecting manufacturing facilities and closing of facilities that do not meet the required standard or those that willfully discharge untreated wastewater. Our R&D and engineering teams work together to address technical issues in meeting stringent wastewater discharge standards and other environmental

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regulatory requirements in the PRC. We believe our industry knowledge and strong R&D capabilities has been a key factor in enabling us to meet the relevant environmental regulatory requirements and further allowing us to capitalize on the increasingly strict environmental regulatory landscape in our industry.

We currently benefit from favorable government policies which include tax exemption and reduction. Pursuant to the Ministry of Finance, the State Administration of Taxation on Comprehensive Utilization of Resources and Other Products Value-Added Tax Policy Notice (《財政部，國家稅務總局關於資源綜合利用及其他產品增值稅政策的通知》), Guangzhou Haitao, Longmen Xilin, Guangzhou Xintao, Huaihua Tianyuan and Guangzhou Yinglong are exempt from paying PRC value-added tax on the provision of their wastewater treatment services. Furthermore, pursuant to Article 88 of the PRC Enterprises Income Tax Law Implementation Regulations (《中華人民共和國企業所得稅法實施條例》), the wastewater treatment income derived from our Longmen Xilin Treatment Facility, Yonghe Haitao Treatment Facility, Huaihua Tianyuan Treatment Facility and Yinglong Project are exempt from enterprise income tax for three years commencing from the first revenue-generating year of operations, and thereafter are entitled to a 50% reduction from enterprise income tax for the subsequent three years. Furthermore, Guangzhou Xintao applied for the status of high and new technology enterprise in 2012 and it was granted such status in November 2012, subject to renewal before the expiry of such status in 2015. As a result of being granted such status, Guangzhou Xintao is entitled to enjoy a reduced enterprise income tax rate of 15% for 2013 and 2014.

Pursuant to the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law (《外商投資企業和外國企業所得稅法》), our wholly foreign-invested subsidiaries, Guangzhou Xintao and Guangzhou Kaizhou enjoyed a 50% reduction in income tax for the years ended December 31 2010, 2011 and 2012. However, from 2013 onwards, Guangzhou Xintao and Guangzhou Kaizhou will no longer be entitled to such preferential tax treatment pursuant to the Foreign Investment Enterprises and Foreign Enterprises Income Tax Law. As for Guangzhou Kaizhou, it will be subject to the uniform enterprise income tax rate of 25% from January 1, 2013; as for Guangzhou Xintao, although it will cease to enjoy such 50% tax reduction, it will be subject to a reduced enterprise income tax of 15% for 2013 and 2014 as it was granted the status of high and new technology enterprise in 2012.

We believe the increasing focus by the PRC Government on environment protection and the related favorable governmental policies will further increase the demand for our services and have a positive impact on the outlook of our business.

Strong and stable relationships with local governments

We have strong relationships with the local governments where we operate. As BOT projects are usually acquired through a governmental tender process, we believe that it is important to have a satisfactory existing and ongoing working relationship with the government. We have, in the past, won the bids for our BOT projects. As to BOO projects, such as Guangzhou Xinzhou Industrial Park Treatment Facility, we had engaged in discussions and planning with the local government in the development of the industrial park. In addition, we have received several awards and certificates from the local government, as detailed in the section headed “Business — Awards” in this prospectus. Finally, local governmental officials have in the past visited our treatment facilities.

We believe our strong relationships with local governments will enable us to benefit from and capture opportunities in the growing markets into which we seek to expand. With a view to strengthening economic development in their respective regions, local governments promote the development of selected industries in designated areas in a large-scale manner in the form of specialized industrial parks or clusters. For our projects involving the establishment of treatment

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facilities for industrial parks, we cooperate with the local government on the development of the relevant industrial park. Our strong and stable relationships with the local governments help ensure smooth implementation and execution of the projects as such working relationships facilitate our obtaining the relevant approvals from governmental authorities in a timely manner as well as increase the efficiency in our master planning with the local governments. In addition, we believe such relationships with local governments enhance our brand recognition and set a reference for other local governments in the areas to which we expand.

Experienced and professional management team supported by a skilled work force

We have a strong and professional management team characterized principally by its continued commitment to our Company, its professional execution capability and the extensive experience of its members. Our management includes qualified people with extensive experience in our business and with engineering or technical backgrounds, which enhance our ability to execute large projects. Our management team includes members having approximately 10 years of experience in the wastewater treatment and industrial water supply services industry with a proven track record. For example, both Mr. Tsui Cham To, our chairman, and Mr. Xu Shu Biao, our executive Director, have approximately 10 years of experience in the wastewater treatment and industrial water supply services industry. Our technology and research and development director, Mr. Huang Rong Zhou, who joined our Company in 2010, has 30 years of experience in technological research and development in the environmental protection industry. For more information on Mr. Huang's experience, please refer to the section headed "Directors and Senior Management — Senior Management" in this prospectus. Our management team has demonstrated a loyal, continuing and enthusiastic commitment to our Company. We believe our management team's dedication and vision have been keys to our success and will continue to provide us with a competitive edge over our competitors.

Our management team is supported by a skilled work force. As of April 30, 2013, we had more than 60 staff dedicated to the quality control and the engineering and maintenance of our treatment facilities. We believe that this pool of engineering and technical workers is essential for the efficient and effective execution of our projects. We are dedicated to developing the expertise and know-how of our employees and we continue to invest in them through training.

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We seek to enhance shareholder value by maintaining and enhancing our position in China's wastewater treatment and industrial water supply market, as well as gradually expanding into other environmental protection businesses. The strategies that we have adopted to attain this goal include the following principal elements:

Expand operations through organic growth

We intend to continue to focus on providing centralized industrial wastewater treatment and industrial water supply services and seek to expand our operations organically to increase our recurring earnings stream. We will continue to focus on areas that have the potential of requiring centralized treatment facilities, such as existing or potential specialized industrial parks or clusters. We believe companies operating in these areas can be well served by our centralized, customized and cost-efficient treatment solutions. We plan to leverage our existing strong track record and technical capabilities to expand our business. As part of our plans for expanding our wastewater treatment services business, we intend to continue our focus on industrial wastewater treatment projects, with BOO as our preferred project model. We will continue to pursue municipal wastewater treatment projects, which are carried out under the BOT project model if we consider such projects to be beneficial to us, taking into account factors such as profit margins and developing relationships with

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local governments. Capitalizing on our knowledge and experience in wastewater treatment, we also intend to explore new opportunities such as O&M projects as they arise in future. We believe we are able to continue to exploit the knowledge and experience we acquired from our core business and capture other new business opportunities in future.

We intend to further expand our operations in Guangdong province. We also intend to actively seek opportunities in central and western China and to capitalize on the anticipated industrial growth in these areas. We plan to replicate our BOO project model used for Guangzhou Xinzhou Industrial Park and provide a fully integrated and centralized system of facilities for a textile technology industrial park in Guangyuan city, as detailed in the section headed “Business — Our Projects — Sichuan Guangyuan Textile and Apparel Technology Industrial Park Treatment Facility” in this prospectus. We believe our strong track record and strong relationships with local governments will enable us to benefit from and capture opportunities in the growing wastewater treatment market in China.

In 2011, we considered expanding into the waste-to-energy business. However, in around August 2012, our Directors decided to abandon the waste-to-energy business and concentrate on our wastewater treatment and industrial water supply businesses, after due and careful consideration of its long-term business plans and strategies to continue focusing on providing centralized industrial wastewater treatment services. As of the Latest Practicable Date, we have not incurred any expenses on the initially planned waste-to-energy business, have no outstanding obligations and liabilities, and do not have any plans to develop the waste-to-energy business. The initially planned waste-to-energy business and the relevant projects are currently being undertaken by Guangzhou To Kee.

Currently, we primarily service the textile industry and we have extended the provision of our services to customers engaged in the pulp and paper-making industry and the food and beverage industry by adapting and applying treatment technologies and processes suitable for such industries. We plan to expand our treatment services to other new industries with a view to enlarging our customer base and enhancing our profitability.

Continue to strengthen our R&D and technical capabilities

We plan to continue to invest in our R&D to maintain our competitiveness, including the following measures:

- Translate the results of our R&D capabilities and technical expertise into higher operating efficiency of our treatment processes, with the aim of executing customized projects in a cost-efficient and timely manner.
- Conduct tests to improve our treatment efficiency by integrating the treatment of industrial and municipal wastewater.
- Further improve the quality of our post-treated wastewater in anticipation of increasingly stringent environmental standards in the PRC and to further increase our capacity to reclaim post-treated wastewater.
- Enhance our ability to adapt and refine our technologies for different industries in anticipation of our expansion and changing market conditions and demand. We intend to continue focusing on customized approaches and solutions for our customers in various industries.
- Continue to collaborate with well-known universities and institutes in undertaking additional research and development projects, with the aim to enable us to continue customizing and developing new technologies as well as adapting and applying such technologies to existing and new industries.

We believe our continuing efforts in strengthening our R&D and technical capabilities will enhance our ability to maintain our core competitive advantages in our business.

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Enhance brand recognition

We believe that we enjoy strong brand recognition in the wastewater treatment and industrial water supply services industry, particularly among customers in the textile industry. Guangzhou Xintao is recognized by the Guangdong Province Environmental Protection Association as one of the pioneers that provide centralized wastewater treatment services for the textile and dyeing industry in Guangdong province. In 2007, Guangzhou Xintao was awarded the “2007 Key National Model Project for Practical Technology in Environmental Protection” (2007年國家重點環保實用技術示範工程) by China Environmental Protection Industry Association (中國環境保護產業協會) in relation to our Guangzhou Xinzhou Industrial Park Treatment Facility. In 2012, Guangzhou Xintao was awarded the “Key National Model Project for Practical Technology in Environmental Protection” (國家重點環保實用技術示範工程) by the China Environmental Protection Industry Association” in relation to our project on wastewater treatment plant sludge pressure filtration and solar drying system.

As part of our marketing strategy, we will continue to enhance communication with the local governments through various channels such as site visits and discussion forums and introduce our successful experience. We also plan to continue applying for certain governmental subsidies for our R&D initiatives. We believe that such granting of subsidies by local governments will help enhance our brand recognition. It is also our strategy to continue providing municipal wastewater treatment services, which allows us to establish strong and stable relationships with local governments.

We also plan to continue to enhance our brand recognition in the PRC with the execution capability and technical expertise of our management and replicate our business model in Guangdong province to other parts of the PRC. We plan to fine-tune our marketing efforts by participating in national and regional industry events, increasing communication and liaison with various wastewater treatment services industry organizations and inviting relevant participants from such industry organizations to visit our treatment facilities to promote our brand recognition and reputation.

Selectively pursue acquisitions and strategic alliance opportunities

While we have experienced organic growth over the past few years, we intend to adopt a disciplined and targeted strategy in selectively pursuing acquisitions and strategic alliance opportunities to further solidify our market position in the wastewater treatment and industrial water supply services industry.

We intend to focus on acquisitions and strategic alliance opportunities which can increase the capacity of our treatment facilities, provide complementary technologies and techniques, enhance our R&D capabilities, and allow us to access to new markets and local customer relationships which will complement our existing business operations. We will carefully consider and evaluate each potential acquisition or alliance on its merits to ensure that our existing business platform will derive appropriate benefits.

As of the Latest Practicable Date, we have not identified any acquisition targets.

Selectively expand into other environmental protection businesses such as sludge treatment services

We intend to selectively expand our operations into other areas of the waste treatment industry such as sludge treatment services. Currently, our Guangzhou Xinzhou Industrial Park and Yonghe Haitao Treatment Facility are treating sludge produced as a by-product of our own wastewater treatment. With respect to our Yonghe Haitao Treatment Facility, we received the relevant Sludge Treatment Permit in March 2013. As such, we are qualified provide sludge treatment services to third parties in respect of municipal wastewater at our Yonghe Haitao Treatment Facility. As of the Latest Practicable Date, we have commenced providing sludge treatment services to third parties in respect of municipal wastewater at our Yonghe Haitao Treatment Facility. We currently charge the third-party customers for the provision of sludge treatment services based on treatment volume of the sludge

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supplied by such customers. The post-treated sludge at this facility could be used as bio-organic fertilizers and we plan to further apply for the relevant licenses and approvals for the sale of these bio-organic fertilizers to third parties. We also plan to apply for a Sludge Treatment Permit for our Guangzhou Xinzhou Industrial Park treatment facility.

In addition, we plan to continue to improve our sludge treatment technology, so as to increase the capacity and efficiency of our sludge treatment process for our planned expansion into the sludge treatment business. For more details of our sludge treatment technologies, please refer to the section headed “Business — Research and Development” in this prospectus.

We believe our planned expansion into other waste treatment areas will complement our existing business operations and diversify our sources of revenue.

OUR TREATMENT PROCESS FOR INDUSTRIAL WASTEWATER

Our principal focus is the provision of industrial wastewater treatment and industrial water supply services. Industrial wastewater usually contains organic and inorganic pollutants, including bacteria harmful to the natural environment. It is imperative that industrial wastewater be treated before it is discharged. There are significant differences in the nature and quantity of pollutants in the wastewater discharged from different industries due to different industrial products and manufacturing processes. Thus, we adopt various treatment processes to treat the wastewater discharged by each industry upon our analysis of the following factors: (i) the composition of the wastewater; (ii) the industry-specific discharge standard of pollutant levels in the treated wastewater; (iii) customers’ specifications; and (iv) the quantity of wastewater to be treated.

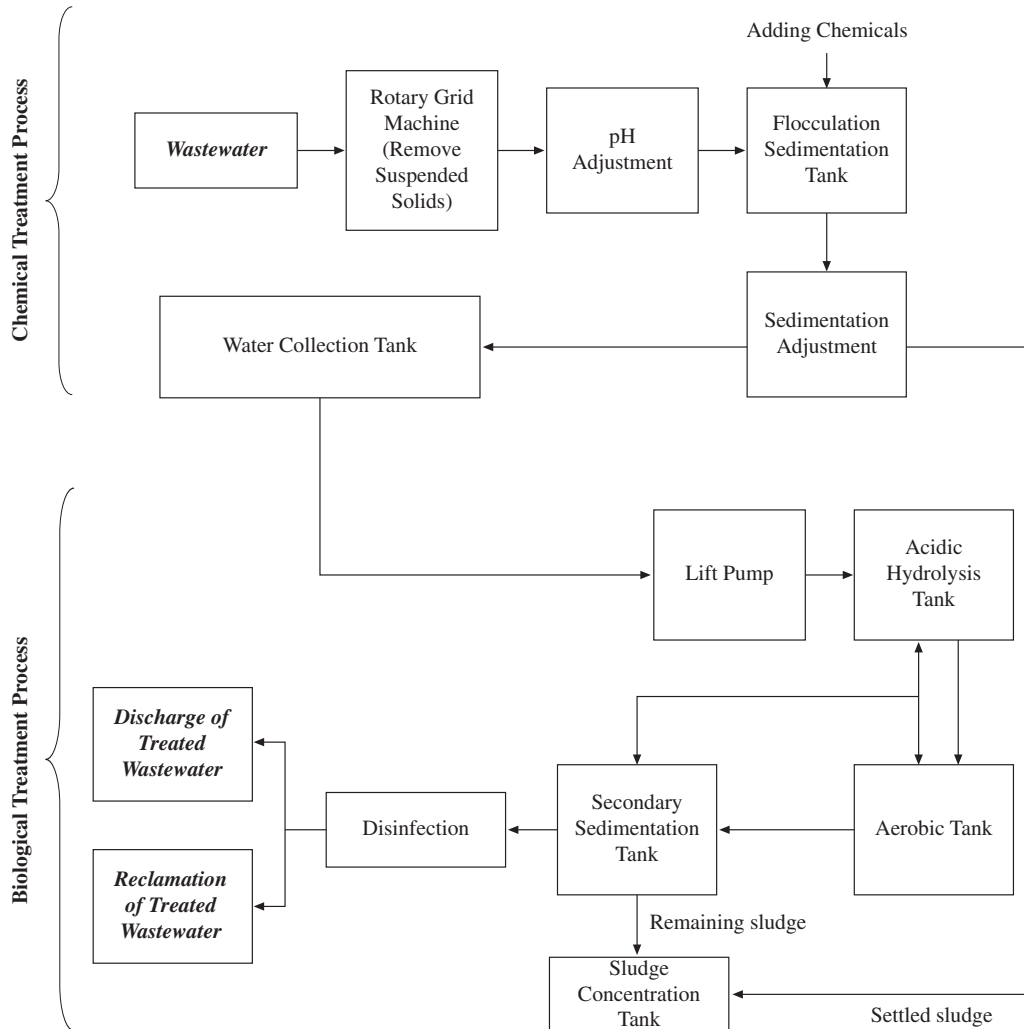
Our Technologies

It is difficult to treat industrial wastewater as its chemical composition is complex. Industrial wastewater contains more complex effluents as compared to feed water from rivers and the sea, as it may contain heavy metals and other toxic matters. As industrial wastewater is often toxic, the wastewater treatment system must be designed to largely remove or substantially reduce the concentration of these effluents to an acceptable level as required under environmental protection and public health laws and regulations. Our engineers must therefore first identify the compounds or chemicals particular to certain industries and understand their chemical properties before designing, fabricating, assembling, installing and commissioning our wastewater treatment system.

Some of the notable technological systems which we have utilized in our treatment of textile industrial wastewater include a type of textile and dyeing wastewater solid removal equipment, a type of anaerobic treatment equipment and a type of solar industrial sludge drying system. Such systems are designed especially for our customers in the textile industry to remove the concentration of effluents in their wastewater before it can be discharged safely into waterways. The State Intellectual Property Office of the PRC has approved our applications to register the aforementioned technologies as patents. For further details, please refer to the section headed “Statutory and General Information — Information about our Business — 2. Intellectual property rights of our Group” in this prospectus.

Technological Processes

Based on the characteristics of the wastewater, we utilize a combined chemical and biological wastewater treatment process for our customers in the textile industry. Such treatment process is illustrated below:



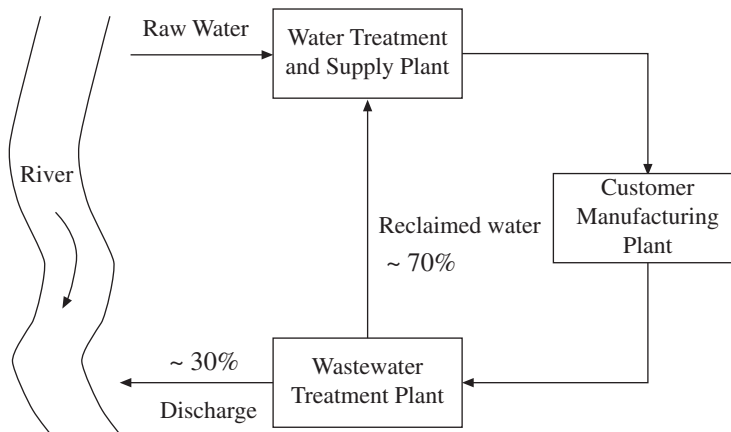
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PROVISION OF TREATED WATER FOR INDUSTRIAL USE

In our Guangzhou Xinzhou Industrial Park Treatment Facility, we engage in a full cycle water recycling process to efficiently reclaim post-treated industrial wastewater, which allows us to use both raw water and post-treated wastewater to supply to our customers for their industrial use. Raw water extracted from rivers contains suspended organic and inorganic solids, dissolved impurities such as minerals and gases, bacteria, viruses, toxic chemicals (released by wastewater discharged by industries that generate large quantities of toxic by-products) and other pollutants (discharged by industries and engines). Untreated water from rivers is not suitable for industrial use due to the presence of these impurities and therefore must undergo a treatment process in order to be suitable for industrial use according to our customers' needs and specifications. Similarly, post-treated industrial wastewater may still contain certain pollutants or chemicals which make such water unsuitable for immediate industrial usage, and therefore must also undergo a treatment process before being supplied to our customers for use in their manufacturing processes.

Wastewater produced in our customers' manufacturing processes will be treated in our wastewater treatment facilities according to the customers' requirements and specifications and applicable environmental standards. Approximately 70% of the post-treated wastewater in our Guangzhou Xinzhou Industrial Park Treatment Facility will be reclaimed by us for supplying to our customers as industrial water for use in their manufacturing processes. The remaining post-treated wastewater will be discharged to nearby waterways. We are replicating the project model of our Guangzhou Xinzhou Industrial Park Treatment Facility and provide an integrated and centralized system of facilities in our Sichuan Guangyuan Industrial Park Treatment Facility.

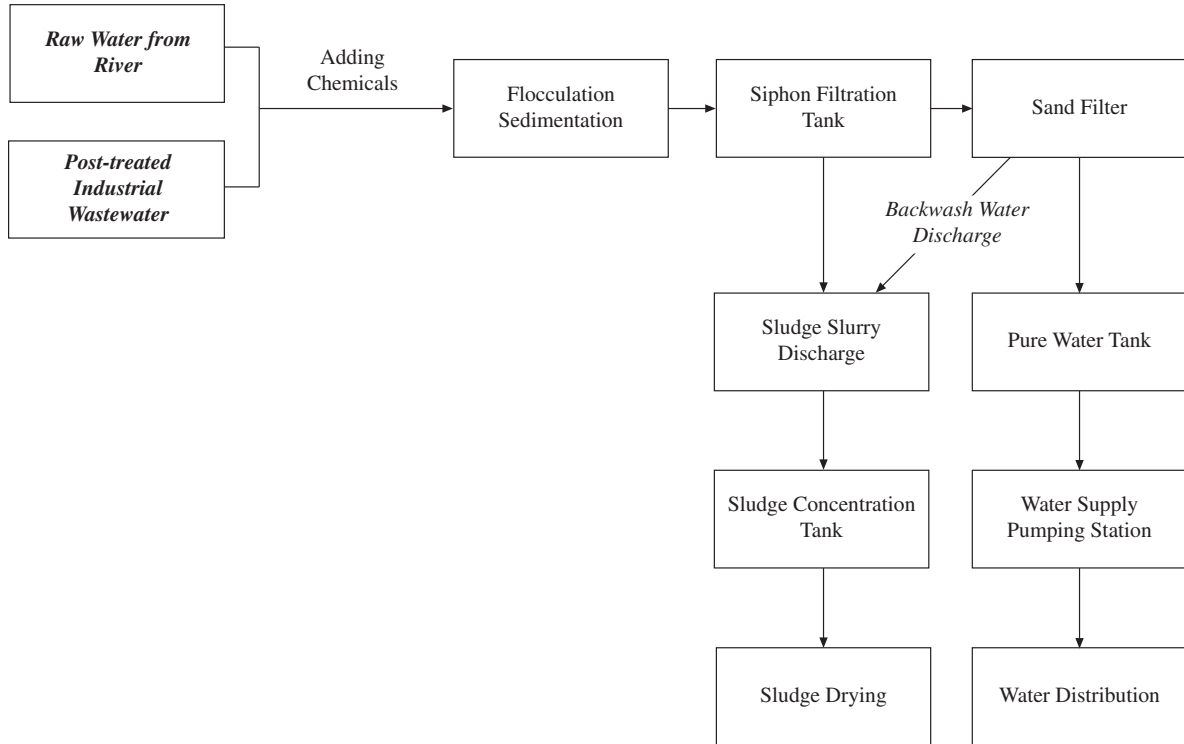
The following diagram illustrates our full cycle water reclamation process:



BUSINESS

Technological Process

Our process for treating raw water and post-treated industrial wastewater for industrial use is as follows:



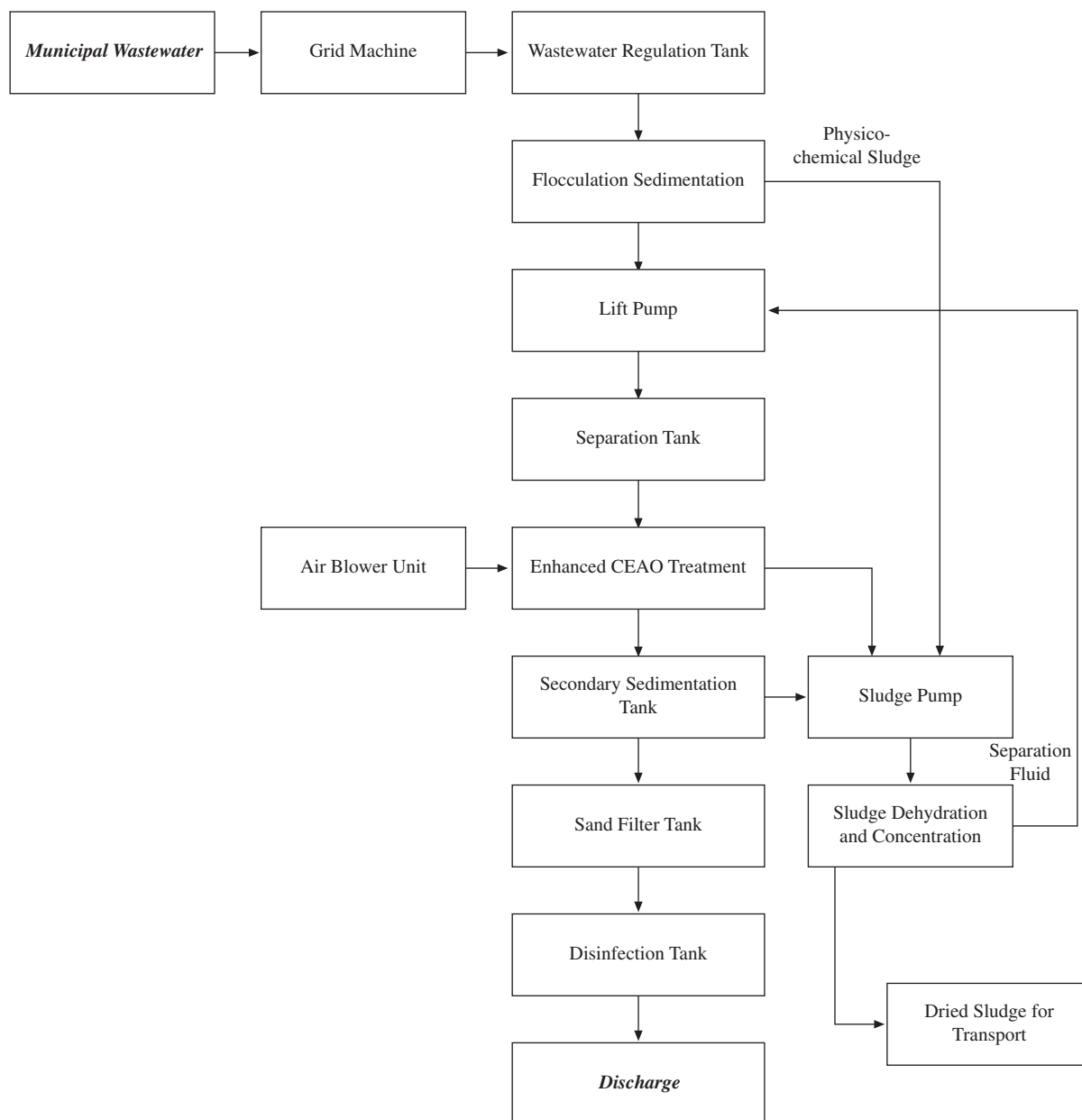
OUR TREATMENT PROCESS FOR MUNICIPAL WASTEWATER

Whilst the main stages involved in the treatment of municipal wastewater are similar to those of treating industrial wastewater, the technology applied differs as the nature and quantity of pollutants in municipal wastewater are different from that in industrial wastewater. Municipal wastewater contains a higher concentration of nitrogen and phosphorus compared to that in industrial wastewater. In addition, pollutants in municipal wastewater also contain a large amount of organic matter.

BUSINESS

Technological Process

Based on the characteristics of municipal wastewater, we utilize a treatment technology targeted to treat the high concentration of nitrogen and phosphorus and to process the large amount of organic matter. Our treatment process for municipal wastewater is illustrated below:



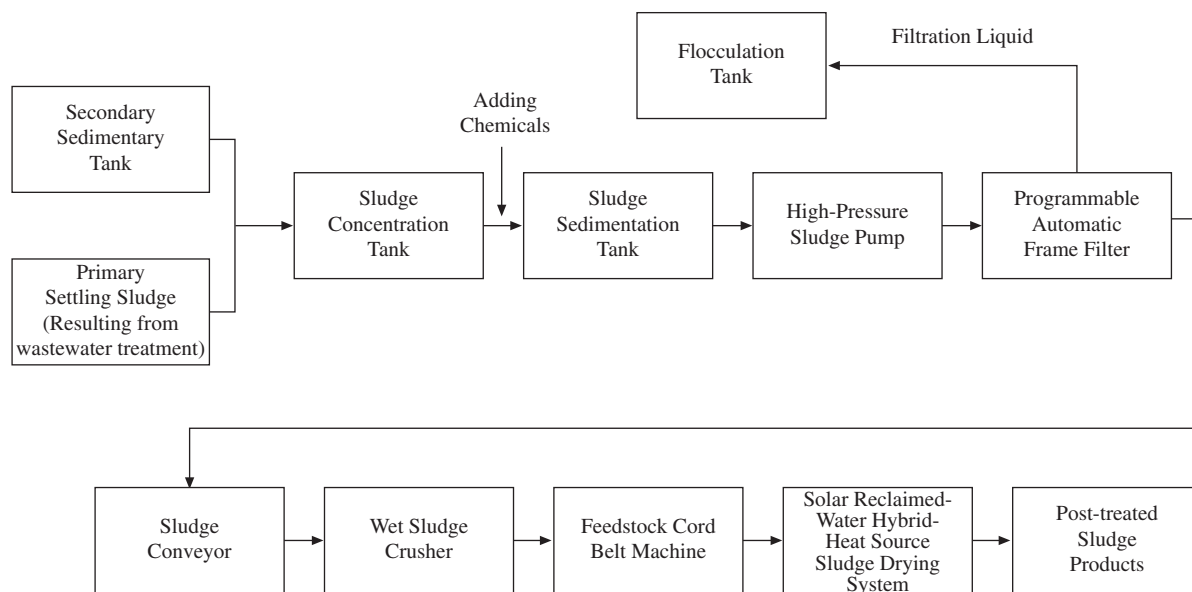
OUR SLUDGE TREATMENT PROCESS

We treat sludge through a comprehensive treatment process using our solar industrial drying system at our Guangzhou Xinzhou Industrial Park Treatment Facility and our fully enclosed and continuous sludge compost fermentation facility at our Yonghe Haitao Treatment Facility.

BUSINESS

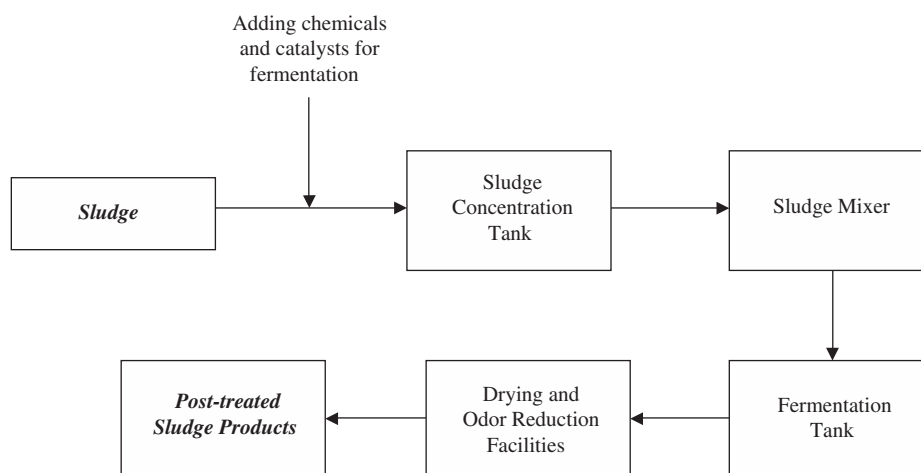
We intend to continue to improve our sludge treatment technologies, particularly the “Solar Reclaimed-Water Hybrid-Heat Source Sludge Drying System” (太陽能中水雙熱源熱泵污泥乾化系統), with the aim to increase the capacity and efficiency of our sludge treatment process. For more details of our sludge treatment technologies, please refer to the section headed “Business — Research and Development” in this prospectus. In addition, sludge treatment requires the use of other technologies, such as sludge dehydration, anaerobic digestion, aerobic fermentation and dry heating.

Below is a workflow diagram of our sludge treatment process using our solar industrial sludge drying system:



Post-treated sludge may also be used as bio-organic fertilizers for agriculture. Our sludge compost fermentation facility at our Yonghe Haitao Treatment Facility is capable of processing a large volume of sludge into fertilizers in short fermentation periods and use effective odor reduction facilities to reduce odor during the treatment process.

Below is a workflow diagram of our sludge compost fermentation facility:



OUR PROJECTS

The tables below set forth information on our significant projects:

Project	Location	Project Model	Estimated/Actual Total Investment Amount ⁽¹⁾ (RMB in millions)	Percentage of ownership by our Group	Industry	Description	Industrial Water Supply				Wastewater Treatment				End of Concession Period				
							Total Designed Capacity (m ³ per day)	Constructed capacity as of December 31, 2012 ⁽²⁾ (m ³ per day)	Utilized capacity as of December 31, 2012 ⁽³⁾ (m ³ per day)	Utilization Rate ⁽⁴⁾	Average daily volume of water supply for year 2012 (m ³)	Volume of water supply for the three financial years ended December 31, 2012 (m ³)	Total Designed Capacity (m ³ per day)	Constructed Capacity as of December 31, 2012 ⁽²⁾ (m ³ per day)		Utilized capacity as of December 31, 2012 ⁽³⁾ (m ³ per day)	Utilization Rate ⁽⁴⁾	Average daily volume of wastewater treated for year 2012 (m ³)	Volume of wastewater treated for the three financial years ended December 31, 2012 (m ³)
Guangdong province																			
Guangzhou Xinzhou Industrial Park Treatment Facility (Phase I and Phase II) ⁽⁵⁾	Zengcheng city	BOO	140.0	100%	Textile	Industrial wastewater treatment and water supply for industrial use	150,000	150,000	100,951	67% ⁽⁶⁾	96,836	33,000,824 (2010) 38,676,472 (2011) 35,442,067 (2012)	100,000	100,000	103,974	104% ⁽⁶⁾	97,364	28,743,338 (2010) 34,447,949 (2011) 35,635,380 (2012)	N/A
Longmen Xin Wastewater Treatment Facility (Phase I and Phase II) ⁽⁵⁾	Huizhou city	BOT	17.3	100%	Municipal	Municipal wastewater treatment	—	—	—	—	—	—	20,000	20,000	19,810	99%	19,500	6,733,088 (2010) 7,076,858 (2011) 7,137,163 (2012)	Phase I: August, 2009 Phase II: August, 2010
Yonghe Haitao Wastewater Treatment Facility — Phase I ⁽⁵⁾⁽⁷⁾	Zengcheng city	BOT	59.9	99%	Municipal and commercial laundry	Municipal and industrial wastewater treatment	—	—	—	—	—	—	50,000	50,000	50,000	100%	50,000	4,799,643 (2010) 18,201,571 (2011) 18,300,000 (2012)	August, 2005
Yonghe Haitao Wastewater Treatment Facility — Phase II ⁽⁵⁾⁽⁷⁾	Zengcheng city	BOT	64.8	99%	Municipal and commercial laundry	Municipal and industrial wastewater treatment	—	—	—	—	—	—	50,000	50,000	25,209	50%	23,823 ⁽⁸⁾	6,351,323 (2012) August, 2005	
Yonghe Haitao Wastewater Treatment Facility — Phase III ⁽⁵⁾	Zengcheng city	BOO	158.6	99%	Textile	Industrial wastewater treatment	—	—	—	—	—	—	50,000	—	—	—	—	—	N/A
Yinglong Project — Phase I ⁽⁵⁾⁽¹⁰⁾	Zengcheng city	BOO	238.4	46%	Textile	Industrial wastewater treatment	—	—	—	—	—	—	100,000	100,000	86,095	86%	72,681 ⁽¹¹⁾	24,348,017 (2012) N/A	
Hunan province																			
Huahuia Tiayuan Wastewater Treatment Facility — Phase I ⁽⁵⁾	Huahuia city	BOT	64.7	100%	Municipal, Pulp and paper-making, food and beverage	Municipal and industrial wastewater treatment	—	—	—	—	—	—	45,000	45,000	18,200	40% ⁽¹²⁾	23,605	4,743,507 (2010) 14,638,947 (2011) 8,639,293 (2012)	April, 2005
Huahuia Tiayuan Wastewater Treatment Facility — Phase II	Huahuia city	BOT	54.0	100%	Municipal, Pulp and paper-making, food and beverage	Municipal and industrial wastewater treatment	—	—	—	—	—	—	55,000	—	—	—	—	—	April, 2005
Sichuan province																			
Sichuan Guangyuan Textile and Apparel Technology Industrial Park Treatment Facility ⁽¹³⁾	Guangyuan city	BOO	200.0	99%	Textile	Industrial wastewater treatment and water supply for industrial use	100,000	—	—	—	—	—	100,000	—	—	—	—	—	N/A
	Tian ⁽¹⁴⁾		997.7				250,000	150,000	100,951		96,836	33,000,824 (2010) 38,676,472 (2011) 35,442,067 (2012)	570,000	365,000	303,288		286,973	45,019,576 (2010) 74,365,325 (2011) 100,611,176 (2012)	

- (1) With respect to BOO projects, the Total Investment Amount represents expenditures on acquisition of property, plant, equipment and prepayments for operating lease in land use rights. With respect to BOT projects, the Total Investment Amount represents the cost of construction services.
- (2) Constructed capacity represents the total capacity of the relevant facility following completion of construction.
- (3) The utilized capacity was calculated based on the average daily volume of wastewater treated or industrial water supplied, as applicable, by the relevant facilities for the month ended December 31, 2012.
- (4) Utilization Rate is calculated by dividing utilized capacity as of December 31, 2012 by constructed capacity as of December 31, 2012.
- (5) Guangzhou Xinzhou Industrial Park Treatment Facility, Longmen Xilin Treatment Facility, Yonghe Haitao Treatment Facility (Phase I and Phase II), Huaihua Tianyuan Treatment Facility (Phase I) and the Yinglong Project have commenced formal operations. For more details, please refer to the section “Business — Environmental Matters” in this prospectus.
- (6) The utilization rate relating to the industrial water supply capacity of Guangzhou Xinzhou Industrial Park Treatment Facility is based on the industrial water supplied by the Guangzhou Kaizhou Water Supply Facility, which operates as a part of Guangzhou Xinzhou Industrial Park Treatment Facility. Guangzhou Kaizhou was designed with a capacity large enough to supply industrial water to customers both within the industrial park and in the adjacent area, and it will not approach full capacity until pipes are connected to such adjacent area. During the Track Record Period, Guangzhou Kaizhou installed certain pipes, and, subject to macro-economic conditions, may install more pipes to extend the coverage of our services to customers in the future. As such, the utilization rate was relatively lower during the Track Record Period. The utilization rate relating to the wastewater treatment capacity exceeded 100% as there was a 5% to 10% capacity buffer built in when we designed the wastewater treatment facility.
- (7) Our turnover from the provision of industrial wastewater treatment services to Tian Tian at Yonghe Haitao Treatment Facility is classified as turnover under BOO projects because our services to Tian Tian are governed by our separate agreement with Tian Tian and are not governed by the relevant BOT agreement pertaining to Yonghe Haitao Treatment Facility.
- (8) Yonghe Haitao Treatment Facility (Phase II) commenced operation in the first half of 2012. As such, this figure was calculated based on the volume treated from April 2012 to December 2012.
- (9) Guangzhou Haitao does not possess the relevant land use certificates on which the Yonghe Haitao Wastewater Treatment Facility (Phase III) and its sludge treatment facility are located. Please refer to “Remarks” under the description of the Yonghe Haitao Treatment Facility (Phase III) in this section for further details.
- (10) Guangzhou Yinglong is accounted for as our associate on our consolidated financial statements. As such, we only share the profits or losses of Guangzhou Yinglong, and the gains or losses arising from the Yinglong Project do not directly affect our gross profit or loss.
- (11) Guangzhou Yinglong commenced charging its customers for the wastewater treatment services provided in February 2012. As such, this figure is calculated based on the volume treated by Guangzhou Yinglong from February 2012 to December 2012.
- (12) From mid-July to October 2012, Huaihua Tianyuan Treatment Facility (Phase I) suspended its operation due to an excessive pollution of the wastewater supplied to the treatment facility, leading to a low utilization rate of 40% as compared to our other wastewater treatment facilities. Since February 2013, most of the suspended operation has resumed services and the utilisation rate of Huaihua Tianyuan Treatment Facility (Phase I) has reached approximately 97.4% for the month of April 2013.
- (13) On March 29, 2011, Hong Kong To Kee and Xi Zhou Enterprises entered into an agreement with, among others, the Sichuan Guangyuan Municipal Government and the Guangyuan Lizhou District Government. Pursuant to this agreement, we will develop industrial wastewater treatment and industrial water supply facilities in Guangyuan’s textile industrial park through Guangyuan Xizhou in which we hold a 99% interest.
- (14) The total designed wastewater treatment capacity, the total wastewater treatment constructed capacity, the total utilized capacity and the total volume of wastewater treated take into account such capacity of and such volume of wastewater treated by the Yinglong Project, which is owned by Guangzhou Yinglong in which we only hold a 46% interest.

BUSINESS

Project	Name of Project Company	Actual / Expected Date of Construction and Trial Operation Commencement	Estimated Outstanding Investment Amount as of December 31, 2012	Service Fee (per m ³) as of December 31, 2012 ⁽¹⁾	Turnover Generated				
					For the year ended December 31,				For the four months ended April 30,
					2010	2011	2012	2012	2013
Guangzhou Xinzhou Industrial Park Treatment Facility (Phase I and Phase II)	Guangzhou Xinzhou Environmental Protection Industrial Park Company Limited; Guangzhou Kaizhou Water Supply Company Limited; and Guangzhou Xintao Wastewater Treatment Company Limited	Date of construction commencement: Phase I: September 2003 Phase II: May 2008 Date of trial operation commencement: Phase I: January 2005 Phase II: March 2009	Guangzhou Kaizhou: RMB1.2 Guangzhou Xintao: RMB5.3	Construction services	—	—	—	—	—
				Finance income	—	—	—	—	—
				Wastewater treatment turnover	168,341	242,605	229,554	68,438	73,102
				Industrial water supply turnover	37,002	51,389	51,689	15,729	14,983
				Heating services	—	24,601	48,945	10,870	25,892
				Total	205,343	318,595	330,188	95,037	113,977
				Construction services	6,776	—	—	—	—
				Finance income	1,106	1,290	1,293	432	426
				Wastewater treatment turnover	5,475	6,083	6,257	2,025	2,002
				Industrial water supply turnover	—	—	—	—	—
Total	13,357	7,373	7,550	2,457	2,428				
Yonghe Haitao Treatment Facility (Phase I, Phase II and Phase III)	Guangzhou Haitao Environmental Protection Technology Company Limited	Date of construction commencement: Phase I: November 2009 Phase II: August 2011 Phase III: September 2012 Date of trial operation commencement: Phase I: October 2010 Phase II: April 2012 Phase III: Expected to be October 2013	RMB0.8 ⁽²⁾ RMB32.6 million for Phase III	Construction services	74,354	85,661	693	15	—
				Finance income	2,846	6,329	10,470	3,542	3,719
				Wastewater treatment turnover	6,463	25,650	24,565	8,267	7,524
				Industrial water supply turnover	—	—	—	—	—
				Total	83,663	117,640	35,728	11,824	11,243

BUSINESS

Project	Name of Project Company	Actual / Expected Date of Construction and Trial Operation Commencement	Estimated Outstanding Investment Amount as of December 31, 2012	Service Fee (per m ³) as of December 31, 2012 ⁽¹⁾	Turnover Generated				
					For the year ended December 31,				For the four months ended April 30,
					2010	2011	2012	2012	2013
Huaihua Tianyuan Treatment Facility (Phase I and Phase II)	Huaihua Tianyuan Wastewater Treatment Company Limited	Date of construction commencement:	RMB65.0 million for Phase II and Phase I upgrade	RMB1.1	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Phase I: July 2009			49,937	—	—	—	—
		Phase II: Expected to be October 2013			2,809	4,310	4,318	1,444	1,413
		Date of trial operation commencement:			6,335	14,342	6,022	4,364	4,671
		Phase I: July 2010			—	—	—	—	
		Phase II: Expected to be July 2014			—	—	—	—	
Sichuan Guangyuan Textile and Apparel Technology Industrial Park Treatment Facility	Guangyuan Xizhou Environmental Enterprises Company Limited	Date of construction commencement:	RMB171.0 million	N/A	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Phase I: August 2012			59,081	18,652	10,340	5,808	6,084
		Expected date of trial operation commencement:			—	—	—	—	—
		Phase I: December 2013			—	—	—	—	—
		Total			59,081	18,652	10,340	5,808	6,084
					N/A	N/A	N/A	N/A	N/A

(1) For our BOT projects, the service fee is calculated based on the relevant BOT agreements. For our Guangzhou Xinzhou Industrial Park Treatment Facility, the service fees are calculated by dividing the total fees received for the year of 2012 by the actual volume of wastewater treated or industrial water supplied, as applicable, for the year of 2012.

(2) According to the Yonghe Haitao wastewater treatment service agreement, the service fee for treating municipal wastewater in Yonghe Haitao Treatment Facility is RMB0.8 per m³. When providing industrial wastewater treatment services to Tian Tian, the service fee is RMB23.0 per m³, pursuant to the agreement entered into between Guangzhou Haitao and Tian Tian on June 30, 2010.

BUSINESS

We set out below the details of our significant projects (including projects completed and currently in progress). With respect to BOO projects, the total investment amount referred to in the description below represented expenditures on acquisition of property, plant, equipment and lease prepayments. With respect to BOT projects, the total investment amount referred to in the description below represented primarily the cost of construction services.

Guangzhou Xinzhou Industrial Park Treatment Facility

Our Guangzhou Xinzhou Industrial Park Treatment Facility located in Zengcheng city, Guangdong province, consists of two facilities that provide industrial wastewater treatment and industrial water supply services, namely, Guangzhou Xintao Wastewater Treatment Facility and Guangzhou Kaizhou Water Supply Facility. Guangzhou Xintao Wastewater Treatment Facility project involves the design, construction and operation of a wastewater treatment facility with a treatment capacity of 100,000 m³ per day. Guangzhou Kaizhou Water Supply Facility project involves the design, construction and operation of a water supply facility with an industrial water supply capacity of 150,000 m³ per day.

Guangzhou Xinzhou Industrial Park Treatment Facility is the only wastewater treatment and industrial water supply plant in Guangzhou Xinzhou Industrial Park. We, along with Guangzhou To Kee, had engaged in extensive discussions and planning with the local government in the design and development of Guangzhou Xinzhou Industrial Park and its treatment facility.

<i>Project Location</i>	Zengcheng city, Guangzhou, Guangdong province
<i>Project Companies</i>	Guangzhou Xinzhou Environmental Protection Industrial Park Company Limited, Guangzhou Kaizhou Water Supply Company Limited and Guangzhou Xintao Wastewater Treatment Company Limited
<i>Industry</i>	Industrial wastewater treatment and water supply for the textile industry. The wastewater treatment plant also processes waste leachate resulting from municipal waste.
<i>Project Model</i>	BOO
<i>Total Investment Amount</i>	Approximately RMB140.0 million
<i>Completion Year</i>	Phase I completed in 2005 and Phase II completed in 2009
<i>Highlights</i>	This is our flagship centralized industrial wastewater treatment and water supply project. Its completion and operation demonstrate our ability to provide integrated water solutions for industrial use and carry out large-scale projects effectively. This project involved extensive discussion and planning with the local government in the development of the associated industrial park.

BUSINESS

Guangzhou Xintao also entered into waste leachate treatment services agreements with Guangzhou Environmental Protection Investment Group Company Limited (廣州環保投資集團有限公司) and the local government of Xintang town respectively, pursuant to which Guangzhou Xintao agreed to treat waste leachate, which is generally considered to be industrial wastewater as it contains high levels of ammonia nitrogen, for such customers.

As a complementary business, we have commenced providing heating services to our customers in Guangzhou Xinzhou Industrial Park. Please refer to the section headed “Business — Our Heating Services” in this prospectus for further details.

Project Source

At the time when the local government of Zengcheng city, Guangdong province had proposed to develop a textile industrial park in Zengcheng city, Guangdong province, Guangzhou To Kee had owned the relevant land and had a strong relationship with the local government of Zengcheng city, Guangdong province. As such, the local government and Guangzhou To Kee had engaged in discussion on the proposal to work together in developing the land into an environmental protection industrial park. Guangzhou To Kee successfully obtained the project primarily as a result of its strong relationship with the local government of Zengcheng city, Guangdong province.

Designed Capacity

- Wastewater treatment capacity of 100,000 m³ per day
- Industrial water supply capacity of 150,000 m³ per day

Wastewater Treated

Volume of wastewater treated for the three financial years ended December 31, 2012:

- 28,743,338 m³ (2010)
- 34,447,949 m³ (2011)
- 35,635,380 m³ (2012)

Water Supplied

Volume of water supplied for the three financial years ended December 31, 2012:

- 33,000,824 m³ (2010)
- 38,676,472 m³ (2011)
- 35,442,067 m³ (2012)

BUSINESS

Longmen Xilin Treatment Facility

This project involves the design, construction and operation of a wastewater treatment facility with a treatment capacity of 20,000 m³ per day located in Huizhou city of Guangdong province. The treatment process adopts technology which is targeted to treat municipal wastewater.

<i>Project Location</i>	Huizhou city, Guangdong province
<i>Project Company</i>	Longmen Xilin Wastewater Treatment Company Limited
<i>Industry</i>	Municipal wastewater treatment
<i>Project Model</i>	BOT
<i>Total Investment Amount</i>	Approximately RMB10.8 million (Phase I) Approximately RMB6.5 million (Phase II)
<i>Completion Year</i>	Phase I completed in 2009 and Phase II completed in 2010
<i>Highlights</i>	This project adopts the treatment technology targeted to treat the high concentration of nitrogen and phosphorus and to process the large amount of organic matter in municipal wastewater. Its completion demonstrates our ability to provide wastewater treatment solutions to municipal governments.
<i>Project Source</i>	We identified this project through open tender announced by the local government. In identifying this project, we reviewed several main factors such as the attractive tender price and the lower labor cost in the region. After considering the project to be feasible and suitable, we submitted our tender to the local government and successfully secured the tender for this project.
<i>Designed Capacity</i>	Wastewater treatment capacity of 20,000 m ³ per day
<i>Wastewater Treated</i>	Volume of wastewater treated for the three financial years ended December 31, 2012: <ul style="list-style-type: none">• 6,733,088 m³ (2010)• 7,076,858 m³ (2011)• 7,137,163 m³ (2012)

Yonghe Haitao Treatment Facility (Phase I and Phase II)

This project involves the design, construction and operation of a wastewater treatment facility constructed in two phases with a total wastewater treatment capacity of 100,000 m³ per day located in Zengcheng city, Guangdong province. The treatment process adopts the technology targeted to treat a mixture of municipal and industrial wastewater with a treatment capacity of 50,000 m³ per day. The long-term planned capacity of this facility is 300,000 m³ per day.

BUSINESS

<i>Project Location</i>	Zengcheng city, Guangzhou, Guangdong province
<i>Project Company</i>	Guangzhou Haitao Environmental Protection Technology Company Limited
<i>Industry</i>	Municipal and industrial wastewater treatment
<i>Project Model</i>	BOT
<i>Total Investment Amount</i>	Approximately RMB59.9 million (Phase I) Approximately RMB64.8 million (Phase II)
<i>Completion Year</i>	Phase I completed in 2010 and Phase II completed in 2012
<i>Highlights</i>	We provide municipal wastewater treatment solutions to the local government of Xintang town in Zengcheng city, Guangdong province as well as industrial wastewater treatment solutions to Tian Tian.
<i>Project Source</i>	This BOT project involves the provision of both municipal and industrial wastewater treatment services. We identified this project through an open tender announced by the local government. In identifying this project, we considered several factors, including the project's potential for large-scale industrial wastewater treatment, the possibility of our success in securing this project, and the major industry segment of the location of the project site. We successfully won the bidding for this project among other competitors.
<i>Designed Capacity</i>	Wastewater treatment capacity of 50,000 m ³ per day in each of Phase I and Phase II
<i>Wastewater Treated</i>	Volume of wastewater treated for the three financial years ended December 31, 2012: <ul style="list-style-type: none">• 4,799,643 m³ (2010) (Phase I)• 18,201,571 m³ (2011) (Phase I)• 24,851,323 m³ (2012) (Phase I and Phase II)

BUSINESS

Yonghe Haitao Treatment Facility (Phase III)

Phase III of this project involves the design, construction and operation of a wastewater treatment facility with a total treatment capacity of 50,000 m³ per day located in Zengcheng city, Guangdong province. The treatment process will adopt our technology targeted to treat industrial wastewater. Currently, this project is under construction.

<i>Project Location</i>	Zengcheng city, Guangzhou, Guangdong province
<i>Project Company</i>	Guangzhou Haitao Environmental Protection Technology Company Limited
<i>Industry</i>	Industrial wastewater treatment
<i>Project Model</i>	BOO
<i>Estimated Total Investment Amount</i>	Approximately RMB158.6 million
<i>Total Investment Amount Incurred accumulated up to December 31, 2012</i>	Approximately RMB126.0 million
<i>Total Investment Amount Outstanding accumulated up to December 31, 2012</i>	Approximately RMB32.6 million
<i>Estimated Completion Date</i>	October 2013
<i>Highlights</i>	Phase III of this project involves construction of pipelines to collect industrial wastewater from customers in the textile industry in the vicinity of the project site, and the provision of industrial wastewater treatment services to them.
<i>Project Source</i>	We have been collaborating with the local government in the design, construction and operation of the Phase I and Phase II of the Yonghe Haitao Treatment Facility. We believe that we obtained the project based on our proven track record in delivering our services in the previous two phases and our smooth working relationship with the local government.
<i>Designed Capacity</i>	Wastewater treatment capacity of 50,000 m ³ per day in Phase III

BUSINESS

Remarks

The local government of Xintang town in Zengcheng city, the competent authority according to our PRC legal counsel, has confirmed to Guangzhou Haitao it can use the land on which the Yonghe Haitao Wastewater Treatment Facility (Phase III) and its sludge treatment facility are located at no additional charge during the concession period of the Yonghe Haitao Treatment Facility (Phase I and Phase II). Guangzhou Haitao and the local government of Xintang town in Zengcheng city could further negotiate the use of the land upon the expiry of such concession period. As advised by our PRC legal counsel, subject to negotiation with the local government, at the end of the concession period, Guangzhou Haitao would have the right to (i) demolish the project buildings and structures; (ii) transfer the project buildings and structures to the relevant authorities at an agreed consideration; or (iii) transfer the buildings, structures and assets relating to the project to the relevant authorities at nil consideration. Nevertheless, Guangzhou Haitao is not obligated to transfer project buildings and structures, as well as the sludge treatment facility, to the local government of Xintang town in Zengcheng city at the end of the concession period.

Huaihua Tianyuan Treatment Facility (Phase I)

This project involves the design, construction and operation of a wastewater treatment facility to be constructed in two phases with an expected total wastewater treatment capacity of 100,000 m³ per day located in Huaihua city of Hunan province. It provides wastewater treatment services to an existing industrial park with companies operating mainly in the pulp and paper-making, and food and beverage processing industries. We are currently providing municipal and industrial wastewater treatment services at this facility.

Project Location	Huaihua city, Hunan province
Project Company	Huaihua Tianyuan Wastewater Treatment Investment Company Limited
Industry	Municipal and industrial wastewater treatment
Project Model	BOT
Total Investment Amount	Approximately RMB64.7 million (including upgrade work)
Completion Year	2010

BUSINESS

<i>Highlights</i>	This is a large-scale project which adopts a combination of chemical and biological wastewater treatment and sludge treatment processes especially used to treat wastewater from the pulp and paper-making industry. This project signifies our milestone in expanding our wastewater treatment services beyond the textile industry into other industries, as well as developing and applying technologies to combine the treatment of wastewater from different sources such as industrial wastewater from multiple industries and municipal wastewater.
<i>Project Source</i>	This BOT project was originally acquired by a third party through an open tender process; however, as such third party did not have sufficient capital, we acquired the project with the consent of the Huaihua Industrial Park Management Committee
<i>Designed Capacity</i>	Wastewater treatment capacity of 45,000 m ³ per day in Phase I
<i>Wastewater Treated</i>	Volume of wastewater treated for the three financial years ended December 31, 2012: <ul style="list-style-type: none">• 4,743,507 m³ (2010)• 14,638,947 m³ (2011)• 8,639,293 m³ (2012)
Huaihua Tianyuan Treatment Facility (Phase II)	
Phase II of this project will involve the design, construction and operation of a wastewater treatment facility with a capacity of 55,000 m ³ per day located in Huaihua city of Hunan province. We have been in discussion with the local government since February 2011 with respect to the design and planning of the project. We intend to begin providing industrial and municipal wastewater treatment services upon completion of the construction of the necessary facilities.	
<i>Project Location</i>	Huaihua city, Hunan province
<i>Project Company</i>	Huaihua Tianyuan Wastewater Treatment Investment Company Limited
<i>Industry</i>	Industrial wastewater treatment mainly for pulp and paper-making industry, together with food and beverage processing industry and municipal wastewater treatment
<i>Project Model</i>	BOT
<i>Estimated Total Investment Amount</i>	RMB54.0 million

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<i>Total Investment Amount Incurred Accumulated up to December 31, 2012</i>	Nil
<i>Total Investment Amount Outstanding Accumulated up to December 31, 2012</i>	Approximately RMB54.0 million
<i>Estimated Completion Date</i>	July 2014
<i>Highlights</i>	<p>Phase II of this project involves the provision of industrial wastewater treatment and municipal wastewater treatment services located in Huaihua city. Completion of both Phase I (as described above) and Phase II of this project would further signify our milestone in expanding our wastewater treatment services beyond the textile industry into other industries, as well as applying technologies to combine the treatment of wastewater from different industries and municipal wastewater on a large-scale and in a centralized manner.</p>
<i>Project Source</i>	Please see above regarding Phase I of Huaihua Tianyuan Treatment Facility.
<i>Designed Capacity</i>	Wastewater treatment capacity of 55,000 m ³ per day in Phase II
<i>Remarks</i>	<p>The construction of the Huaihua Tianyuan Treatment Facility (Phase II) was initially expected to be completed in the first quarter of 2012. However, our Directors decided to postpone the construction as commercial enterprises became less proactive in making investment to set up or further develop their operation in the Huaihua Industrial Park which, in our opinion, was primarily due to the poor macroeconomic situation in 2011 and 2012. As such, the commencement date of construction and trial operation of the Huaihua Tianyuan Treatment Facility (Phase II) was postponed correspondingly as centralized industrial wastewater treatment facilities are normally constructed and developed in tandem with the development of the industrial parks from which the wastewater is produced. We have been closely monitoring and discussing with the local government regarding the development of the Huaihua Industrial Park.</p> <p>According to the PRC legal counsel of our Company, the relevant BOT agreement does not contain any requirement for the construction of the Huaihua Tianyuan Treatment Facility (Phase II) to commence before a certain date. As advised by the PRC legal counsel of our Company, the delay of the commencement of the construction of the Huaihua Tianyuan Treatment Facility (Phase II) will not have any legal implication to us.</p>

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The estimated total investment amount for Huaihua Tianyuan Treatment Facility (Phase II) has been increased to RMB54.0 million from its initial estimated total investment amount of RMB45.0 million, but we believe the rate of our service fee can be increased to mitigate the negative impact on the rate of return of the project resulting from the increase in the estimated total investment amount for Huaihua Tianyuan Treatment Facility (Phase II). According to the relevant BOT agreement in relation to the Huaihua Tianyuan Treatment Facility, the service fee of Huaihua Tianyuan Treatment Facility (Phase II) is negotiable between the parties. We expect that Huaihua Tianyuan could negotiate for an increase in the service fee charged under Huaihua Tianyuan Treatment Facility (Phase II). In addition, Huaihua Tianyuan also intends to negotiate with the relevant authority to increase the service fee of Huaihua Tianyuan Treatment Facility (Phase I). Accordingly, our Directors believe that, in the long run, the combined effect of the increases in the service fees of both Phase I and Phase II of the Huaihua Tianyuan Treatment Facility, if so increased, would be able to offset the increase in the initial investment amount of the Huaihua Tianyuan Treatment Facility (Phase II) and the rate of return of the project will not be significantly affected.

Sichuan Guangyuan Textile and Apparel Technology Industrial Park Treatment Facility

This project will involve the design and construction of a 100,000 m³ per day industrial wastewater treatment facility and a 100,000 m³ per day industrial water supply facility located in Guangyuan city.

<i>Project Location</i>	Guangyuan city, Sichuan province
<i>Project Company</i>	Guangyuan Xizhou Environmental Enterprises Company Limited
<i>Industry</i>	Industrial wastewater treatment and water supply for textile industry
<i>Project Model</i>	BOO
<i>Estimated Total Investment Amount</i>	RMB200 million
<i>Total Investment Amount Incurred accumulated up to December 31, 2012</i>	Approximately RMB29.0 million

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<i>Total Investment Amount Outstanding accumulated up to December 31, 2012</i>	Approximately RMB171.0 million
<i>Estimated Completion Date</i>	Phase I (industrial wastewater treatment and water supply capacity of 50,000 m ³ per day each) is estimated to be completed in December 2013.
<i>Highlights</i>	This will be a large-scale integrated industrial wastewater treatment and water supply facility with an estimated total investment amount of RMB200 million. We seek to replicate our project model of Guangzhou Xinzhou Industrial Park Treatment Facility and provide an integrated and centralized system of facilities in this project. We also intend to utilize the technologies targeted for treating textile industry wastewater in this project.
<i>Project Source</i>	The local government of Sichuan Guangyuan had visited Guangzhou Xinzhou Industrial Park Treatment Facility and decided to collaborate with us on the construction of a similar facility in Guangyuan.
<i>Designed Capacity</i>	<ul style="list-style-type: none">• Wastewater treatment capacity of 100,000 m³ per day• Industrial water supply capacity of 100,000 m³ per day
<i>Remarks</i>	The construction of the Sichuan Guangyuan Industrial Park Treatment Facility (Phase I) was initially expected to be completed near the end of 2011. However, this has progressed at a slower pace as, according to our Directors, commercial enterprises became less proactive in making investment to set up or further develop their operation in the Sichuan Guangyuan Textile Apparel Technology Industrial Park which, in our opinion, was primarily due to the poor macroeconomic situation in 2011 and 2012. As such, the commencement date of trial operation of the Sichuan Guangyuan Industrial Park Treatment Facility (Phase I) was postponed correspondingly as centralized industrial wastewater treatment facilities are normally constructed and developed in tandem with the development of the industrial parks from which the wastewater is produced. We have been closely monitoring and discussing with the local government regarding the development of the Sichuan Guangyuan Textile Apparel Technology Industrial Park.

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According to the state-owned construction land use right grant contract, as amended and supplemented, entered into between Guangyuan Xizhou and Lizhou Branch of the Guangyuan Land Resource Bureau (the “Land Use Right Grant Contracts”), the construction of the Sichuan Guangyuan Industrial Park Treatment Facility (Phase I) shall commence before May 9, 2012. If Guangyuan Xizhou is unable to commence the construction of the project according to the agreed timeframe, Guangyuan Xizhou shall obtain consent from Lizhou Branch of the Guangyuan Land Resource Bureau, the assignor, to agree on the time of commencement of construction. Further, according to clause 33 of the Land Use Right Grant Contracts, if Guangyuan Xizhou is unable to commence construction according to the agreed timeframe provided in the Land Use Right Grant Contracts or the deferred time period as agreed alternatively between Guangyuan Xizhou and the assignor, Guangyuan Xizhou shall pay the assignor liquidated damages of an amount equivalent to 0.1% of the total land use right grant premium per each day of delay. As confirmed by Guangyuan Xizhou, the deferred commencement date was August 2, 2012 for which a verbal consent was obtained from the assignor. The assignor subsequently confirmed its verbal consent in writing. As advised by our PRC legal counsel, as the assignor has already given a legally-binding consent to Guangyuan Xizhou to defer the commencement date of construction, Guangyuan Xizhou will not be liable to pay the relevant liquidated damage to the assignor for the delay of the commencement of construction of the Sichuan Guangyuan Industrial Park Treatment Facility (Phase I).

Our investment in the Yinglong Project

We have a 46% interest in Guangzhou Yinglong, which owns the Yinglong Project. Currently, Guangzhou Xintao provides consulting services to Guangzhou Yinglong in relation to the operation of the Yinglong Project pursuant to an entrustment agreement dated March 1, 2012. The Yinglong Project is located in Zengcheng city. Phase I of the Yinglong Project has a designed and constructed capacity of 100,000 m³. We have significant influence but no board control over Guangzhou Yinglong. Guangzhou Yinglong is accounted for as our associate on our consolidated financial statements. As such, we only share the profits or losses of Guangzhou Yinglong through our 46% stake in Guangzhou Yinglong, and the gains or losses arising from the Yinglong Project do not directly affect our gross profit or loss. For further details, please refer to the section headed “History and Reorganization — Acquisition of 46% interest in Guangzhou Yinglong” in this prospectus.

Proposed Qingyuan Jingu Wastewater Treatment Facility

Pursuant to a letter of intent entered into between Xi Zhou Enterprises and Qingyuan Jingu Science Park Construction Office (清遠市金穀科學城建設指揮部) (“Qingyuan Jingu Construction Office”) on April 21, 2011 (the “Qingyuan LOI”), Xi Zhou Enterprises would be responsible for making arrangements to build a wastewater treatment facility (“Qingyuan Jingu Wastewater Treatment Facility”) for Qingyuan Jingu Science Park, a science park located in Qingyuan, Guangdong province. According to the Qingyuan LOI, the science park is expected to cover a total site area of 13.3 million square meters with a planned gross floor area of 3.5 million square meters, with the initial phase

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expected to cover a total site area of 1.3 million square meters. The total investment amount of Qingyuan Jingu Science Park is expected to be over RMB30 billion. Qingyuan Jingu Wastewater Treatment Facility is expected to cover a site area of approximately 133,333 square meters, with a total designed wastewater treatment capacity of 100,000 m³ per day, 40% of which would be used for industrial wastewater treatment, with the remaining 60% to be used for municipal sewage treatment. Xi Zhou Enterprises is responsible for the construction costs and construction of Qingyuan Jingu Wastewater Treatment Facility, the first phase of which is to have a capacity of 50,000 m³ per day. Qingyuan Jingu Construction Office is responsible for, among others, providing land for the construction of the wastewater treatment facility, applying and obtaining approvals for the environmental impact assessment, the pollutants discharge quota and the installation of treated wastewater discharge outlets. We understand from our PRC legal counsel that the Qingyuan LOI is non-binding as to both parties. We will be negotiating with Qingyuan Jingu Construction Office on a formal agreement to be entered into between the parties on the further development of the proposed project. Based on our current assessment, we expect to commence commercial operation of the proposed project in the fourth quarter of 2014.

Proposed Guangfozhao Wastewater Treatment Facility

Pursuant to a letter of intent entered into between our Company and the People's Government of Huaiji County on March 19, 2013 (the "Guangfozhao LOI"), our Company would be responsible for making arrangement to build and operate the Guangfozhao Economic Cooperation Zone Water Treatment Facility ("Guangfozhao Wastewater Treatment Facility") for the Guangfozhao Economic Cooperation Zone, the area of which covers six towns including Huaicheng, Zhagang, Lengcheng, Liangcun, Maning and Gangping, respectively. According to the Guangfozhao LOI, the economic zone is expected to cover a total site area of 200 million square meters. We are responsible for the preliminary project work, the construction costs, and the construction and operation of the Guangfozhao Wastewater Treatment Facility, the total designed capacity of which shall be 200,000 m³ per day and the first phase of which is to have a capacity of 50,000 m³ per day. The People's Government of Huaiji County is responsible for, among others, providing land for the construction of the wastewater treatment facility, providing basic materials regarding the planning of the Guangfozhao Economic Cooperation Zone, the construction of pipes network and utility facilities, and applying and obtaining approvals for the environmental impact assessment, emission control level and installation of pollutants discharge outlets with respect to the Guangfozhao Economic Cooperation Zone. According to the Guangfozhao LOI, we will be able to enjoy the relevant preferential tax treatment in favor of businesses introduced by the state, province and municipality. We understand from our PRC legal counsel that the Guangfozhao LOI is non-binding as to both parties. We will be negotiating with the People's Government of Huaiji County on a formal agreement to be entered into between the parties on the further development of the proposed project. Based on our current assessment, we expect to commence commercial operation of the proposed project in the fourth quarter of 2014.

OUR SLUDGE TREATMENT PROJECTS

We currently treat sludge produced as a by-product of our own wastewater treatment and give the post-treated sludge to a third party for legitimate industrial use or disposal. Under the relevant PRC laws and regulations, we are required to hold a Sludge Treatment Permit in order to provide sludge treatment services to third parties, and hold the relevant licenses and approvals in order to sell fertilizers.

We treat sludge through a comprehensive treatment process using our solar industrial drying system at our Guangzhou Xinzhou Industrial Park Treatment Facility and our fully enclosed and continuous sludge compost fermentation facility at our Yonghe Haitao Treatment Facility.

At our Guangzhou Xintao Industrial Park Treatment Facility, we treat sludge produced as a by-product of our own wastewater treatment. The post-treated sludge at this facility may be used as

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a component of fuel substitute by blending with additional fuels such as coal for use in certain manufacturing processes. We intend to apply for a Sludge Treatment Permit in order to commence providing sludge treatment services to third parties. The planned capacity of our facility for treating sludge is approximately 200 tonnes per day, and such facility is expected to be completed by the end of 2013.

At our Yonghe Haitao Treatment Facility, we treat sludge produced as a by-product of our own wastewater treatment. The post-treated sludge at this facility may be used as bio-organic fertilizers for agriculture and we plan to apply for the relevant licenses and approvals for the sale of these bio-organic fertilizers. We have obtained the Sludge Treatment Permit for our Yonghe Haitao Treatment Facility in March 2013 for providing sludge treatment services to third parties in respect of sludge produced from municipal wastewater treatment, but we currently do not have the relevant licenses and approvals for selling bio-organic fertilizers. We plan to apply for the relevant licenses and approvals for selling bio-organic fertilizers. As of the Latest Practicable Date, we had commenced providing sludge treatment services to third parties in respect of municipal wastewater at our Yonghe Haitao Treatment Facility but had not commenced the sale of any post-treated sludge products.

Set out below is a brief description of our Guangzhou Xinzhou Industrial Park Treatment Facility and our Yonghe Haitao Treatment Facility in relation to sludge treatment:

	<u>Guangzhou Xinzhou Industrial Park Treatment Facility</u>	<u>Yonghe Haitao Treatment Facility</u>
<i>Source from which sludge is derived</i>	industrial wastewater	municipal wastewater
<i>Products of post-treated sludge</i>	a component of fuel substitute by blending with additional fuels such as coal for use in certain manufacturing processes	bio-organic fertilizers for agriculture
<i>Planned designed capacity of facility</i>	approximately 200 tonnes per day	approximately 200 tonnes per day
<i>Type of technology used for treating sludge</i>	solar drying technology	compost fermentation technology
<i>Are we permitted to provide sludge treatment services to third parties?</i> ⁽¹⁾	No ⁽²⁾	Yes
<i>Are we permitted to sell post-treated sludge?</i>	Yes ⁽³⁾	No ⁽⁴⁾

(1) We are required under the Guangdong Province Solid Waste Treatment Administrative Licensing Implementation Measures to obtain a Sludge Treatment Permit to provide sludge treatment services to third parties.

(2) We have not applied for a Sludge Treatment Permit for our Guangzhou Xinzhou Industrial Park Treatment Facility yet but plan to do so in the future.

(3) As advised by our PRC legal counsel, we are not required to obtain any licenses or approvals of the sale of post-treated sludge which can be used as the component of fuel substitutes generated at this facility.

(4) As advised by our PRC legal counsel, we are required to obtain relevant licenses and approval for the sale of bio-organic fertilizers generated at this facility.

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OUR HEATING SERVICES

On January 26, 2011, Guangzhou Xintao entered into an agreement and a supplementary agreement for the provision of heating services with Xintang Heat. The provision of central heating services was planned to be a part of Guangzhou Xinzhou Industrial Park at the outset, and was delayed because the conditions within the park necessary for such implementation were not in place at the time. As such, the individual facilities within the park had installed small-scale boilers to meet their respective heating needs. We have decided to pursue this project because conditions within the park have now made it more feasible for central heating services to be provided within the park in 2011, and the relevant environmental protection bureau has requested that factories replace small-scale boilers with a central heating service as soon as possible. Pursuant to these agreements, we agreed to procure heating from Xintang Heat, which provides heating services to customers outside the industrial park, but does not currently provide any such service within the park, and in turn provide heating services to our customers in Guangzhou Xinzhou Industrial Park. Guangzhou Xintao has already applied to and received approval from the relevant authorities to expand its scope of business to include the provision of central heating services. Our PRC legal counsel has advised us that no additional permits or licenses are required for Guangzhou Xintao to provide central heating services in Guangzhou Xinzhou Industrial Park. We believe that by providing central heating services in Guangzhou Xinzhou Industrial Park, we can benefit both the environment and the companies within the park, including Guangzhou Xintao. Xintang Heat, an independent third party, is a subsidiary of Guangzhou Heat Company Limited (廣州熱力有限公司), which is a subsidiary of the Guangzhou Development Group (廣州發展集團). Xintang Heat is engaged in the business of services such as the supply and sale of heat, steam and air conditioning, heating network maintenance and repair, heat engineering technology consultation and technical services.

We commenced providing such heating services in July 2011. The main revenue source is payments received from customers for the provision of heating services. We funded this heating services line using internal resources. We have recruited professional skilled technicians to operate such heating services line. Our Directors are of the view that we have sufficient financial resources and managerial expertise to develop and maintain this heating services business. According to our PRC legal counsel, the agreement entered into in relation to the provision of heating services by Xintang Heat to Guangzhou Xintao is legally binding. No other approval or permit is required for the heating services project.

OUR PROJECT MANAGEMENT PROCESS

We focus primarily on the provision of wastewater treatment and industrial water supply services to existing or potential industry clusters or industrial parks. We also take on certain projects to provide municipal wastewater treatment services if we consider such projects to be beneficial to us, taking into account factors such as profit margins and developing relationships with local governments. Our experience in project management encompasses the whole value chain of the wastewater treatment and industrial water supply services industry, including conceptualization, project design, execution and management, procurement and construction, as well as the ongoing operation and management of the wastewater treatment and water supply facilities.

Project Models

Our project models consist of two principal categories: (i) Build-Own-Operate (“BOO”) projects; and (ii) Build-Operate-Transfer (“BOT”) projects. We may use either the BOO or BOT project model to provide industrial wastewater treatment services in a large-scale and centralized manner to customers in industrial parks or clusters, depending on the circumstances. We currently mainly provide municipal wastewater treatment services using the BOT project model. Our BOT projects involve the design, construction and operation of wastewater treatment plants where concession is

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granted (usually ranging from 25 to 30 years) by the local government according to the relevant concession agreement. We build, own and operate our BOO projects. To a lesser extent, we intend to commence providing O&M services to third parties by the end of 2013. Under an O&M services contract, we expect to operate and maintain existing wastewater treatment facilities of a third party in exchange for a fee, which will generally be calculated based on the volume of wastewater being treated.

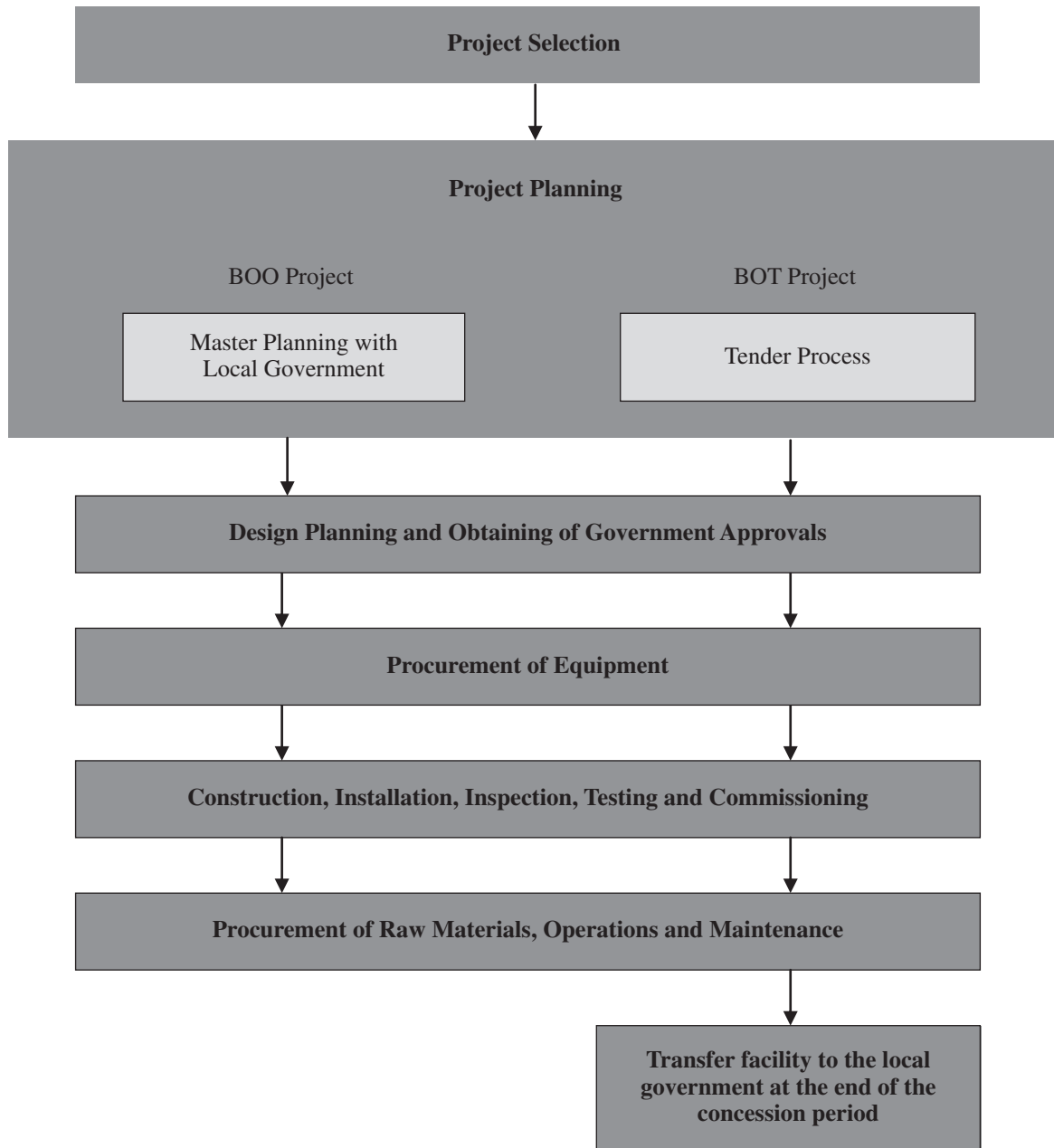
The accounting entries for a BOT project are different from those for a BOO project. These differences affect our turnover recognition, cash flows and profitability during the relevant periods. Our BOT projects are considered as service concession arrangements under HK (IFRIC) 12. As such, we recognize turnover from a BOT project during both the construction phase and the operational phase. We normally engage an independent property valuer to value the construction services that form a basis for us to estimate the turnover for the construction phase for a BOT project. For a BOO project, we recognize turnover only during its operational phase and capitalize construction costs as fixed assets. For more details on the differences in accounting treatment between our BOO and BOT projects and other differences between the BOO and BOT models, please refer to the sections headed “Financial Information — Description of Selected Income Statement Line Items — Turnover” and “Industry Overview — China’s Wastewater Treatment Industry — Wastewater Treatment Operating Modes” in this prospectus.

BOO and BOT Projects

The key elements of our project management process for our BOO and BOT projects include: (i) project selection; (ii) project planning; (iii) design planning and obtaining of government approvals; (iv) procurement of equipment for construction of the treatment and water supply facilities; (v) construction, installation, inspection, testing and commissioning of the facilities; and (vi) procurement of raw materials and operations and maintenance of the facilities. For our BOT projects, the treatment facilities will be transferred to the local government at the end of the concession period and in some cases, we are required to provide a warranty period following the transfer.

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The following is an illustration of our project management process for our BOO and BOT projects:



Project Selection

Prospective projects are first screened by our operation department using a set of market-driven and return-focused criteria. In identifying a prospective project, our operation department will review the following main factors:

- the project's potential for centralized industrial wastewater treatment facilities;
- the prospective profitability of the project; we generally focus on projects with a contract value and projected return in excess of internally determined minimum thresholds;

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- the credit-worthiness of the potential customer and the customer's source of funding for the project;
- the composition of the wastewater and the resulting technical requirements of the project;
- the specific requirements of the customer;
- the available treatment technologies and alternatives;
- the competition for the project;
- the possibility of our success in securing the prospective project;
- the projected cost of building and operating the facilities;
- the applicable regulatory standards; and
- the general economic development and major industry segment of the location of the project site.

Our operation department provides details of prospective projects which it believes merit further investigation to our management, which then decides whether a project warrants further examination. We maintain a list of projects which we review to monitor their status and development. We assign priority to various projects and allocate resources to those we will pursue.

During the initial project proposal process, we typically conduct a feasibility study to examine the site location, assess the project's environmental impact and consider several factors such as the existing or potential industries in the areas, the costs of construction and required equipment, potential turnover as well as profit margin. We also take into account other factors, including the costs of land acquisition for BOO projects and the contract value for BOT projects. For BOO projects, after sufficient information has been compiled, if we consider the project to be feasible and suitable, we will submit our project application to the relevant local government. For BOT projects, when sufficient tender information has been collected and compiled, our management team, with the advice of our operation department, will decide the projects which we will actively pursue and for which we will submit a tender. We consider our ability to choose the right projects based on the results of our feasibility study to be a cornerstone of our operational success and profitability.

The acquisition of BOO projects usually involves the following procedures: (i) obtaining the land use rights; (ii) various approval processes; (iii) construction of the relevant facilities; and (iv) operation of the relevant facilities. Procedures for the acquisition of BOT projects usually include: (i) signing of the concession agreement and obtaining of concession rights; (ii) obtaining of the right to use the relevant land; (iii) various approval processes; (iv) construction of the relevant facilities; (v) operations of the relevant facilities; and (vi) transfer of the relevant facilities at the end of the concession term. Our PRC legal counsel is of the opinion that the acquisition of our projects is valid and in compliance with the relevant PRC laws. We are not aware of any disputes, claims or complaints in relation to the acquisition of projects by us.

Project Planning

Master planning with local government for BOO projects

Our BOO projects are based on discussions and planning with the local government to increase the efficiency of the centralized and integrated wastewater treatment and industrial water supply facilities. We work with the local government in the conceptualization, master-planning, design and development of the industrial parks as well as the wastewater treatment and industrial water supply facilities located in such industrial parks. In general, the local governments assist us in procuring necessary approvals for each project area and arranging of the compilation of the environmental impact assessment report. We are responsible for designing, building and operating the wastewater treatment and water supply plants. We also collaborate with the local government in attracting

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potential industry players to establish their operations in the industrial parks, which includes engaging in close discussions with the local government based on the results of our feasibility study. In addition, with the assistance from the local government, we conduct further studies to assess whether the proposed treatment system is suitable and adequate to meet our customers' needs. Following the master planning stage, we discuss with the local government and prepare detailed plans for the design and construction of the treatment facilities. Please refer to the section headed "Business — Design Planning and Obtaining of Government Approvals" in this prospectus.

Tender process for BOT projects

Our operation department, which undertakes marketing responsibilities, tracks and sources potential projects in the PRC through its networks and referrals from our existing customers. We also source projects by open tenders which are communicated through various channels such as announcements by local government authorities as well as by invitations from local governments to bid. We closely monitor the latest developments in the local wastewater treatment and industrial water supply services industry and utilize local connections to identify new business opportunities.

Based on the information collected by our operation department, we coordinate the preparation of the relevant tender documents. This process includes careful consideration of the prospective customer's needs, the treatment options available, project budgeting and preparation of a preliminary project design.

Generally, we are required to pay a deposit to participate in the tender process. In general, any deposit we pay will be returned to us after the tender process. The factors that the local government considers in assessing a tender vary from one project to another, but generally include the credentials and qualifications of the applicant, the tender price, the technical design and the experience of the proposed project team.

Upon securing the tender, we enter into a formal contract with the local government. After signing the contract, we form a new project company for such BOT project. For our BOT projects, the local governments that had entered into the relevant concession agreements with our project companies are the People's Government of Xintang town, Zengcheng city, Guangdong province, the People's Government of Longmen County and Hunan Huaihua Industrial Park Management Committee, all of which are authorities competent to enter into such concession agreements. The Hunan Huaihua Industrial Park Management Committee was authorized and assigned by the relevant local government in Hunan province to manage the Huaihua Industrial Park.

Design Planning and Obtaining of Government Approvals

We must obtain the relevant approvals from the environmental protection authorities, the planning authorities and the land administration authorities for our projects. In particular, we must obtain the necessary land planning permit and the construction planning permit from the relevant government authorities. After obtaining the necessary government approvals and permits and conducting comprehensive studies of the project and its requirements, a qualified design institute commissioned by us will draft a design proposal and our operation department will prepare detailed plans to discuss with the local government. We work closely with the design institute throughout the design planning process, which typically takes approximately three months, or until commencement of construction.

During the design planning process, we, in collaboration with a qualified design institute commissioned by us, will conduct studies to assess whether the proposed treatment system is suitable and adequate to meet our customer's needs. Discussion and preparation of the detailed plans for the design and construction of the facilities are also based on these studies and analysis. We utilize a

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combination of chemical and biological treatment processes and technologies which are customized to treat industrial wastewater in accordance with the requirements of different industries. Please refer to the paragraph headed “Business — Our Treatment Process for Industrial Wastewater” in this prospectus for further details.

Procurement of Equipment

Once the design and implementation plans have been finalized, we will procure the equipment, parts and instruments required for the construction and eventual operation of a treatment plant. Our internal team determines the specifications of the equipment needed and provides such layout to pre-selected manufacturers. Emphasis is placed on ensuring quality and timely delivery such that the equipment assembled by our suppliers conforms to our technological and safety standards. To facilitate this, the equipment provided by our suppliers is inspected for quality control and quality assurance by an internal team before the equipment is supplied to us.

We believe our success is dependent on the quality of our equipment. As such we seek to ensure that our equipment suppliers are of sufficient caliber. We select our equipment suppliers based on a number of criteria, including quality of materials and services, pricing and track record. Normally, we do not enter into long-term contracts with our equipment suppliers but principally work with them on the basis of purchase orders, which set forth detailed terms of, amongst others, the purchase quantity, model number and total price. We adopt a centralized procurement policy pursuant to which our headquarters decides which equipment suppliers to order from and the local project companies will enter into the actual purchase agreements with the equipment suppliers.

The payment terms with each of our suppliers vary. In general, we pay an initial deposit of approximately 20% to 50% of the total contract value upon signing of the contract, with the final payment or further payments due in installments, to be paid upon delivery, installation and testing of the equipment. Our contracts with the suppliers generally provide a one-year warranty period for the purchased equipment and in some cases, we could retain 5% to 10% of the total contract value as retention money for the warranty period.

Construction, installation, inspection, testing and commissioning

We hire qualified contractors for the construction of facilities and the installation, testing and commissioning of the necessary equipment and systems for such treatment facilities. The construction services provided under both our BOT and BOO projects include the procurement, engineering and construction of wastewater treatment facilities and infrastructure. We hire a qualified design institute for designing the layout of the facility, and hire a qualified contractor for construction according to such layout. We are responsible for the costs of the construction services. We will procure the equipment and instruments required for operation of the facility after our internal team determines the specifications of the equipment needed and provides such layout to pre-selected manufacturers. We will oversee the installation of equipment by such manufacturers.

When construction of on-site facilities for the treatment systems by our contractors has commenced, we will monitor the progress of our contractors. The relevant government authority may conduct inspection of the construction progress and quality control of the facilities. Our PRC legal counsel is of the opinion that the construction of buildings and structures on the land parcels for our completed BOT projects had been approved by the relevant government authorities and would not be subject to any challenges by third parties.

After completion of the facilities, we will test, inspect and commission the systems to ensure that they are in accordance with our customers’ requirements. Commissioning the equipment involves a procedure encompassing the examination of equipment procured and its integration into a fully functioning system. The overriding objective is to ensure that the designed specifications relating to

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output are met and that the equipment complies with the industrial standards and national as well as local rules and regulations. We are required by relevant PRC regulations to apply for the checking and acceptance of our facilities within three months, or under certain circumstances within a year, after the commencement of their respective trial operation.

Procurement of raw materials, operations and maintenance

As our success depends on the quality of our raw materials, we seek to ensure that our raw material suppliers are of sufficient caliber as well. We usually enter into one-year framework agreements with our raw material suppliers and supplement such agreements with purchase orders. We evaluate our raw material suppliers on an annual basis and replace those that have not met our standards.

Upon satisfactory checking and acceptance of our wastewater treatment facilities and, where applicable, industrial water supply facilities, we will start operations of such facilities. In our BOO projects, as we own the wastewater treatment and industrial water supply facilities, we will continue to operate and maintain the treatment and water supply systems in accordance with the specifications and needs of our customers, pursuant to contractual arrangements with our customers. In our BOT projects, we operate and maintain the treatment system in accordance with the specifications and the needs of our customers for the duration of the concession period, pursuant to the relevant concession agreements with the local government.

Transfer (BOT projects only)

Under our BOT contracts, we are required to transfer the treatment facilities to the local government for nil consideration upon the expiry of the concession period. Pursuant to our concession agreements, we are typically required to ensure that the treatment facilities operate properly after the transfer. In some cases, we are required to provide a warranty period of 12 months following the transfer and the local government could retain a portion of the wastewater treatment service fees received in the last two years of the concession period as retention money for the warranty period. For example, under our BOT agreement for Huaihua Tianyuan Treatment Facility (Phase I), we must deposit 30% of the wastewater treatment fees received in the last two years of the concession period as retention money for the warranty period in favor of the local government.

Key Contract Terms

We typically form a project company for each of our projects. While the specific contractual terms vary from one project to another, the typical contractual terms found in our wastewater treatment services agreements with our customers, including the local governments, are set forth below.

Our BOO projects

Project documentation for our BOO projects usually consists of an agreement with each customer, stipulating the respective obligations with respect to the provision of wastewater treatment and industrial water supply services. The following summarizes the key contractual terms of our BOO projects:

Key contractual terms with customers

Water quality. The agreement sets out the quality of the wastewater to be transported to our treatment facility. For example, the COD and BOD levels must not exceed the maximum levels as stipulated in the agreement, otherwise, we have the right to increase the wastewater treatment fee or stop receiving wastewater from such customer.

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Fees and payments. The agreement sets out the procedures and calculation methods for calculating the fees and payment for our wastewater treatment services. The agreement also sets out the terms and conditions pursuant to which the price of our wastewater treatment services may be adjusted.

We do not receive any payment from our customers prior to the commencement of operation of the treatment facilities. There is no exclusivity term specified in each of the relevant agreements. We are therefore allowed to provide services to other customers without prior consent from our existing customers. Following the completion of the testing of the facilities, we commence operation of the treatment facilities. Upon the commencement of the operation of the facility, pursuant to the agreement, we receive regular, usually monthly, fee payments from each customer based on the service fee specified in the agreement and the volume of wastewater treated or industrial water supplied by the facility.

Breach of contract. Unauthorized discharge of wastewater by the customer is considered a breach of contract. The customer will be required to pay damages in the amount set out in the agreement. We would not be liable for any unauthorized discharge of wastewater by our customers. For the BOO agreement for Sichuan Guangyuan Treatment Facility, if we do not complete the construction within the stipulated timeframe, the local government can unilaterally terminate the agreement.

Our BOT projects

Key contractual terms with local government

Project documentation for our BOT projects consists of an agreement with the local government authority which stipulates the terms upon which the concession is granted, and our respective rights and obligations with regard to our provision of wastewater treatment services during the concession period. The following summarizes the key contractual terms for our agreements with the local governments:

Concession period. The agreement stipulates the concession period for which we are appointed to operate the treatment facilities, which is usually around 25 to 30 years.

Construction schedule. The agreement sets out the construction schedule for the project, specifying target dates for key construction milestones, such as the commencement of construction and the completion date.

Pursuant to the agreement for Longmen Xilin Treatment Facility, if we cannot complete the construction of Phase II of the project within 300 days and still fail to complete construction after a grace period of one year, the local government can withdraw the concession authority and terminate the agreement without compensation. During such grace period of one year, we shall pay to the local government a penalty for each day of such delay in an amount that is calculated as 1% of the fee that would be paid for treating 7,000 tonnes of wastewater per day.

Pursuant to the agreement for Huaihua Tianyuan Treatment Facility, the estimated trial operation is to be commenced within seven months from the date of the agreement and the estimated formal operation is to be commenced ten months from the date of the agreement. If either party causes a delay in the operation commencement, the party in breach is required to pay to the other party damages in an amount of RMB5,000 per day for such delay.

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Testing and acceptance. The agreement sets out the procedures for testing and acceptance of the treatment facilities and the conditions upon which we may commence operation of the facilities and receive payment.

Wastewater treatment services. We are typically obliged under the terms of the agreements to treat a specified average volume of wastewater per month to a specified standard. The agreement also sets out the minimum quality standard of the treated wastewater.

Fees and payments. The agreement normally sets out the procedures and calculation methods for calculating the fees and payment of the wastewater treatment services. The agreement also sets out the terms and conditions on which the price of wastewater treatment services may be adjusted.

We do not receive any payment from our customers prior to the commencement of operation of the treatment facilities, though we do recognize revenue in our financial statements during the construction phase. For more information, please refer to the section “Financial Information — Description of Selected Income Statement Line Items — Turnover — BOT projects” in this prospectus. There is similarly no exclusivity term specified in each of the relevant agreements. However, in practice, we will seek prior consent from the local government before providing services to other customers. For example, for Yonghe Haitao Treatment Facility (Phase I), we have obtained the oral consent from the local government of Xintang town, the competent authority according to our PRC legal counsel, before providing wastewater treatment services to Tian Tian and subsequently obtained its written confirmation in relation to our provision of wastewater treatment services to Tian Tian in March 2011.

Following the completion of the testing of the facilities, we commence operation of the treatment facilities. Upon the commencement of the operation of the facility, we receive regular, usually monthly, fee payments from our customer based on the service fee specified in the agreement and the volume of wastewater treated by the facility. The wastewater treatment services agreement and/or the BOT agreements usually provide for a guaranteed minimum volume of wastewater to be treated and we are generally entitled to receive payment for such minimum volume even if the volume of water we actually treat is less than the minimum volume. The guaranteed tariff pricing takes into account factors such as the labor costs, utilities charges and other operating costs. For certain of our BOT projects, such as Yonghe Haitao Treatment Facility, we will seek prior consent from the local government before providing services to other customers.

Transfer. We are required to transfer the treatment facilities to our customer for nil consideration upon the expiry of the term of our concession. Our agreements typically require us to carry out comprehensive repair works before the concession period expires to ensure that the treatment facilities operate properly after the transfer. In some cases, we are required to provide a warranty period of 12 months following the transfer. During this warranty period, we will normally attend, at our costs, to any defects in the equipment or systems for which we are responsible. We are required to provide the necessary repair and maintenance services to the customer during such warranty period. In addition, under certain of our BOT agreements, our customer could retain 30% of the wastewater treatment service fees received in the last two years of the concession period as retention money for the warranty period. During the Track Record Period, since no transfer of the treatment facilities had yet been made, no warranty expenses were incurred during the Track Record Period. The earliest end of concession period is expected to be 2035 for Huaihua Tianyuan Treatment Facility (Phase I). Our Directors are of the view that no provision for the warranty is required during the Track Record Period.

Termination. The agreement can be terminated by either party due to events of default or force majeure events. For example, events of default by the local government may include wastewater treatment service fees not being paid in accordance with the agreement or making false statements under the relevant BOT agreement; events of default by us may include leasing or transferring the right and authority of the concession to a third party or any serious production quality or safety

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accidents caused by our mismanagement. If there is any event of default, the terminating party shall notify the other party about its intent to terminate and if no agreement is reached within a certain period of time, the terminating party shall serve a notice of termination and the contract shall be terminated. Where the contract is terminated by one party due to the other party's breach of the terms of the contract, the terminating party is still entitled to damages or compensation as prescribed in the contract.

Key contractual terms with Tian Tian

As we also provide industrial wastewater treatment for Tian Tian at our Yonghe Haitao Treatment Facility, we have entered into an agreement with Tian Tian dated June 30, 2010. The following summarizes the key contractual terms of our agreement with Tian Tian:

Term. The agreement has a one-year term, during which we are appointed to provide industrial wastewater treatment services. The agreement will be automatically renewed upon its expiration if no change takes place.

Water quality. Tian Tian is obliged under the terms of our agreements to transport a certain volume of wastewater to our facility per day. The agreement also stipulates the quality of the wastewater to be transported to our plant. For example, the COD level must not exceed the maximum level as stipulated in the agreement and cannot contain sand or other matters as described in the agreement; otherwise, we have the right to stop receiving wastewater from Tian Tian.

Fees and payments. The agreement sets out the procedures and calculation methods for calculating the fees and payments of our wastewater treatment services. The agreement also sets out the terms and conditions on which the price of our wastewater treatment services may be adjusted.

Termination. Pursuant to the agreement, Tian Tian is required to comply with all applicable environmental laws and regulations. If Tian Tian fails to comply with such applicable environmental laws and regulations, we have the right to unilaterally terminate the agreement and impose a penalty on Tian Tian in an amount that is calculated as 0.1% of any unpaid wastewater treatment fees multiplied by the number of days such fees have been outstanding. We are not responsible for any liabilities or losses arising from any violation of environmental laws and regulations by Tian Tian. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, there had been no violation of the relevant environmental laws and regulations by Tian Tian.

This agreement will be terminated and superseded by the Tian Tian Agreement upon the Listing. Please refer to the section headed "Connected Transaction" in this prospectus for further details.

Major contract terms relating to Yonghe Haitao Treatment Facility

Pursuant to the contract terms relating to Yonghe Haitao Treatment Facility, during the period of trial operations, the wastewater treatment fee payable monthly shall be calculated based on 50% of the price charged for the actual amount of wastewater treated. During the period of normal operations, the wastewater treatment fee payable monthly is calculated on the following basis: (i) the amount of actual wastewater treated when the wastewater volume is more than 75% and less than 105% of the design capacity; (ii) no treatment fee will be paid for wastewater treated in excess of 105% of the design capacity; and (iii) if the amount of wastewater treated is below 75% of the design capacity, we shall receive a minimum guaranteed amount as if the volume of wastewater treated were at 75% of the design capacity. We are required to provide the relevant local government an invoice within five days after the beginning of each month stating the amount of wastewater treated for the previous month and the total amount due. The local government is to make payment to us within 15 days upon receipt of such invoice.

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We are required to transfer the treatment facility to the local government for nil consideration upon the expiry of the concession period. We are also required to provide a warranty for 12 months following the transfer. The local government is entitled to retain 10% of the wastewater treatment service fees received in the last three years of the concession period as retention money for the warranty period.

If any force majeure events, such as flooding, earthquake, war or epidemics, occur and prevent one party from performing its obligations under the agreement for over 90 days consecutively, the parties to the agreement may agree to terminate the agreement. Once the agreement is terminated, the treatment facility shall be taken over by the local government and we will be released from all our obligations under the agreement.

The agreement can be terminated by either party due to events of default provided that certain procedures are followed. The events of default that entitle the local government to unilaterally terminate the agreement include: (i) our cessation in constructing the project facilities; (ii) failure to fully and timely pay up the registered capital or illegal withdrawal or embezzlement of the registered capital; (iii) failure to pay the fees relating to design, construction and operation of the project such that the creditor has filed action against us, causing interruption to the project construction or operations; (iv) our liquidation or insolvency; (v) our false representations and warranties which adversely impair our ability to perform our obligation under the agreement; (vi) failure to proceed with the project construction according to the requirements of, amongst others, the bidding document and failure to consummate the project after a delay of 180 days; (vii) any serious safety accident due to our faulty operations and improper management; and (viii) material breach of the agreement caused by our failure to perform other obligations under the agreement and our failure to cure such breach within 60 days upon receipt of the local government's written notice describing such breach and demanding rectification. The events of default that entitle us to unilaterally terminate the agreement include: (i) the local government's false representations and warranties which adversely impair our ability to perform the contract; and (ii) its failure to perform any obligations under the agreement and its failure to cure within such breach 60 days upon receipt of our written notice describing such breach and demanding rectification.

If there is any such event of default, the non-breaching party must notify the other party of its intent to terminate. Such notice must specify the event of default. The parties shall consult each other on measures to avoid the termination of the agreement within 30 days after the notice. If the parties reach an agreement as to the measures to be taken and/or if either party has cured its breach within such 30-day consultation period or a longer period as the parties may agree to, the notice of intent to terminate becomes automatically void. Upon the expiration of the consultation period, unless the parties have reached an agreement otherwise or the party in breach has cured the event of default, the non-breaching party shall send a notice to the party in breach to terminate and such agreement shall be terminated.

If we are unable to start trial operations or normal operations according to the timeline as prescribed in the concession agreement for any reasons that are not caused by a breach of contract by the local government and that are not related to any force majeure events, we are required to pay a penalty to the local government for each day of delay as specified in the agreement. Such penalty is to be paid upon receiving notice from the local government.

O&M Projects

We intend to commence providing O&M services to third parties by the end of 2013. Our target customers are operators of existing industrial wastewater treatment plants, which plan to improve their operations by engaging an experienced third-party wastewater treatment services providers. We select O&M projects by considering, among others, the location of the projects, the type of wastewater being treated and the internal rate of return of the projects. Under the O&M project model, we intend to

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manage and operate industrial wastewater treatment plants of third parties for a fixed period of time. In exchange for our services, we expect to charge our O&M customers a fee, which will generally be calculated based on the volume of wastewater being treated. An O&M operator is usually appointed for an agreed period and may be reappointed upon the expiry of the agreed contractual term. We expect to be responsible for the costs of repair and maintenance of the treatment facilities during the term of our appointment. We also expect to be responsible for operating the treatment facilities in accordance with all applicable laws and regulations, and ensuring that the treated wastewater complies with the required discharge standards.

We expect to commence operation of our first O&M project by the end of 2013. We did not record any revenue attributable to our O&M projects during the Track Record Period. We have not provided O&M services to third parties. We will continue to capture similar business opportunities on which we could leverage on our knowledge and experience in wastewater treatment, including but not limited to O&M services, as and when they arise.

Pollutant Discharge Quota

We are allocated a fixed amount of pollutant discharge quota from the local government in regions where we operate. Our early entry into such regions has allowed us to obtain allocation of such pollutant discharge quota, permitting us to discharge wastewater in such regions. The amount of quota allocated is calculated by the environmental protection department of the government, taking into account certain factors such as the standards governing discharge of wastewater and the overall volume of wastewater to be discharged. Our BOT projects that are secured through the open tender process are not required to pay a wastewater discharge fee so long as the discharged wastewater meets the relevant national or local standards. Our Directors confirmed that Yonghe Haitao Treatment Facility, Longmen Xilin Treatment Facility and Huaihua Tianyuan Treatment Facility were not required to pay wastewater discharge fees during the Track Record Period. Guangzhou Xinzhou Industrial Park Treatment Facility is required to pay a wastewater discharge fee based on the actual volume of wastewater discharged. A breakdown of our wastewater discharge quotas and relevant utilization rates is shown below:

Company	Pollutant Discharge Quota ⁽¹⁾ (m ³ /day)	Actual Discharge Amount ⁽³⁾ (m ³ /day)	Quota Utilization Rate ⁽⁴⁾ (%)
Guangzhou Xintao	100,000	97,364	97%
Yonghe Haitao (Phase I and Phase II)	100,000 ⁽²⁾	73,823	74%
Longmen Xilin	20,000	19,500	98%
Huaihua Tianyuan (Phase I)	45,000 ⁽²⁾	23,605	52%
Guangzhou Yinglong	100,000	72,681	73%

- (1) The daily pollutant discharge quota is calculated on the basis of the annual pollutant discharge quota stipulated in the respective Pollutant Discharge Permits held by the relevant project companies, divided by 365 days.
- (2) For Yonghe Haitao, the figure represents the pollutant discharge quota stipulated in the respective Pollutant Discharge Permit for both Phase I and Phase II of the project. Our Company expects that each of Yonghe Haitao and Huaihua Tianyuan will have their respective pollutant discharge quota, as reflected in the Pollutant Discharge Permits, updated to a total of 100,000m³/day for both of Phase I and Phase II of the project, upon completion of construction of Phase II of the project.
- (3) The actual discharge amount is the average daily amount of wastewater discharged for the year of 2012, which is estimated based on the actual daily amount of wastewater treated for the year of 2012.
- (4) The daily quota utilization is calculated by dividing the daily actual discharge amount by the daily pollutant discharge quota. This may not be reflective of the annual quota utilization.

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As of April 30, 2013, each of our facilities, other than Huaihua Tianyuan Treatment Facility, had achieved a relatively high quota utilization rate. In the future, if the quota utilization rate decreases significantly due to an unexpected drop in the volume of wastewater treatment for our existing projects: (i) for our BOT projects, we intend to negotiate with the relevant government that entered into the BOT agreement to expand such facility's service to third parties. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — We rely substantially on the local governments for the development and operations of our BOT projects and the local governments may withdraw the concessions and terminate the agreements should we breach the terms of our agreements with them or fail to implement projects which fully satisfy their requirements or expectations" in this prospectus; and (ii) for our BOO projects, we intend to expand our operations and engage more customers for the relevant treatment facility, with the aim to increase the quota utilization rate of that particular facility and our return on investment. In addition, if the system of discharge quota trading is implemented in the relevant areas in the future, we intend to trade our unutilized quota in return for a profit.

The quota type and the allocated quota of pollutants dischargeable by each unit for each project are allocated at the time when the relevant environmental impact assessment for such project is completed, which occurs before the commencement of construction. As our Group has only commenced construction and operations of our facilities after completing the relevant environmental impact assessments, we have never operated our wastewater treatment facilities without the relevant quota. Our Directors are of the view that the pollutant discharge quota system will not hinder our expansion plan. In the event that the pollutant discharge quota is fully utilized for a particular project site, we intend to expand our operations to other areas that are likely to require centralized treatment facilities and in which the pollutants discharge quota have not been fully allocated. We believe that the wastewater treatment services industry in China is still at an early stage and that there are a sufficient number of areas in which the pollutants discharge quotas have not been fully allocated. For details of the legal and regulatory requirements applicable to the Pollutants Discharge Permit and pollutant discharge quota, please refer to the section headed "Regulations — Pollutants Discharge Permit and Quota" in this prospectus.

PROJECT FINANCING

We are responsible for funding the construction of the wastewater treatment and industrial water supply facilities for our BOO and BOT projects. We are also responsible for the land acquisition costs for BOO projects. As of December 31, 2012, the total budgeted investment amount for our wastewater treatment projects under construction or planning was approximately HK\$755.8 million. Pursuant to applicable PRC regulations, we are required to fund at least 20% of the total project investment amount from our own resources. In practice, the percentage of funding from our own resources varies on a project by project basis and we intend to fund at least 30% of the total project investment amount from our own resources. Therefore, we may need to fund up to 70% of the total project investment amount from external sources, such as bank borrowings. During the Track Record Period, we funded the development cost of most of our projects through internal cash reserves and project loans from commercial banks in China. Going forward, we intend to utilize internal resources, proceeds from the Global Offering and project financing from commercial banks to finance our projects.

In obtaining funding from such third parties, we generally provide the potential lender with the following:

- (i) A feasibility study report and appraisal of the project construction, allowing the lender to assess the potential project profitability;
- (ii) A complete set of project documents setting forth information such as project approval, environmental approval, details of equipment suppliers, planning approval, construction approval and details of eligible construction contractors;

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- (iii) Details of other sources of funds currently available for the project; and
- (iv) Warranties in connection with such project investment.

Such information is intended to allow the potential lender to perform an objective and comprehensive assessment on whether funding should be provided.

We obtain bank borrowings in the form of project financing. Our Directors are of the view that our existing level of debt will not affect our ability to obtain project financing in the future since such financing is usually secured by either the project company's assets or the tariffs payable to the relevant project company under the project agreement. During the Track Record Period, we have been able to obtain sufficient bank borrowings to finance our projects.

As of April 30, 2013, we had unrestricted bank balances and cash of approximately HK\$10.9 million. As of the Latest Practicable Date for the purposes of our indebtedness statement contained in this prospectus, we had entered into the following long-term bank loans with commercial banks in China:

Project company	Type of loan	Date of loan agreement	Duration	Principal amounts of loan at inception (RMB million)	Interest rate at inception (%)
Guangzhou Haitao	Fixed asset loan	September 20, 2012	10 years	80.0	6.55
Guangzhou Haitao	Fixed asset loan	February 15, 2012	10 years	40.0	7.05
Guangzhou Kaizhou . . .	Fixed asset loan	September 16, 2011	10 years	300.0	7.05
Guangzhou Haitao	Fixed asset loan	March 16, 2010	15 years	67.8	5.94

As of April 30, 2013, the outstanding amount of the long-term bank loans entered into by Guangzhou Kaizhou and Guangzhou Haitao was RMB272.5 million and RMB175.0 million, respectively.

The interest rate charged by the banks for these long-term project loans is usually linked to the long term lending rate for funding published by the PBOC, plus a margin. As of December 31, 2012, the five-year lending rate published by the PBOC was 6.55% per annum. The availability and costs of financing are important factors in our assessment of potential project business opportunities. We only develop projects which we estimate will provide a return on investment which is higher than our estimated cost of financing based on typical financing terms available in the market. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — We may require additional funding for our capital intensive projects and our inability to borrow additional amounts or refinance our debt could adversely affect our results of operations and financial condition and prevent us from fulfilling our financial obligations and business objectives" in this prospectus.

Generally, project loans for our BOO projects are secured by the relevant project company's assets where such assets are to be pledged to the bank. The project loans for our BOT projects are secured by the tariffs payable to us under the relevant concession agreement during the concession period.

RAW MATERIALS AND EQUIPMENT

The principal raw materials used in constructing our treatment facilities include steel, aluminum, copper, other base metals and cement, which are purchased and provided by our contractors. The principal raw materials we use in our wastewater treatment and industrial water supply process include chemicals such as sulfuric acid, potassium dihydrogen phosphate, poly aluminum chloride, polyacrylamide, ferrous sulfate, urea, sodium chlorate, hydrochloric acid, and ferric chloride. The

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principal equipment we use in our operations include, among others, pump, flocculation reaction facility, influent distribution system, online dissolving monitoring system, advance centrifugal blower, high-low pressure distribution cabinet, ultrasonic flow meter and wastewater pump frequency converter. We generally source our raw materials from local sources for our operations for our BOO and BOT projects. We also generally source our equipment from local sources for our BOO and BOT project operations. We expect to use our clients' equipment at their facilities for under the O&M project model.

SUPPLIERS

Our procurement department of each project company is responsible for the procurement of key raw materials and equipment from our suppliers. Generally, we adopt a centralized procurement policy pursuant to which our headquarters decides which equipment suppliers we are to order from and the local project companies will enter into the actual purchase agreements with the equipment suppliers.

The payment terms with each of our suppliers vary. In general, we pay an initial deposit of approximately 20% to 50% of the total contract value upon signing of the contract, with the final payment or further payments in installments, to be paid upon delivery, installation and testing of the equipment. Our contracts with the suppliers generally provide a one-year warranty period for the purchased equipment and in some cases, we could retain 5% to 10% of the total contract value as retention money for the warranty period. For raw material suppliers, purchases within the current month are generally required to be settled by the end of the next month.

Each of our suppliers is required to undergo a supplier approval process before we make any purchases. We select our suppliers based on a number of criteria, including reputation and financial condition, quality of materials and services, pricing and track record. In addition, we have a policy of performing batch sampling of raw materials that a supplier provides to us. Under our policy, we would terminate our relationship immediately with any supplier that fails to meet our required standards.

The percentage of our total purchases from our largest raw material supplier (including our supplier for heating services) for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 was approximately 49.6%, 29.3%, 57.5% and 69.4% of our total purchases and amounted to HK\$16.3 million, HK\$23.1 million, HK\$54.6 million and HK\$26.8 million, respectively. The percentage of our total purchases of raw materials from our top five raw material suppliers for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 was approximately 90.2%, 84.7%, 77.7% and 87.4% and amounted to HK\$29.6 million, HK\$66.7 million, HK\$73.9 million and HK\$33.7 million, respectively. Of our suppliers in 2012, the largest supplier supplied heat to us for our heating services.

During the Track Record Period, we had sourced our raw materials from a few suppliers located near Guangzhou Xinzhou Industrial Park Treatment Facility in order to benefit from the economies of scale and proximity, which allowed for faster delivery of raw materials. During the Track Record Period, most of our raw materials were sourced from suppliers located near Guangzhou Xinzhou Industrial Park Treatment Facility. As such, during the Track Record Period, a large proportion of our costs was attributable to Guangzhou Xinzhou Industrial Park Treatment Facility. For the operations of Yonghe Haitao Treatment Facility (Phase I and Phase II), which commenced operation in 2010 and 2012, respectively, and Huaihua Tianyuan Treatment Facility (Phase I), which commenced operations in 2010, we generally source our raw materials for these facilities from local suppliers located near such facilities. With the expansion of our business operations to other areas, we expect to source our raw materials from an increasing number of local suppliers.

We have readily available alternative suppliers (except for our supplier for heating services) in the market who offer similar terms as our existing suppliers. To mitigate the risks associated with any reliance on our major suppliers, we periodically seek potential alternative suppliers and obtain

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quotations from such suppliers with the view to keeping in contact with potential suppliers who can offer favorable pricing and delivery terms. We believe that a ready pool of potential alternative suppliers will allow us to locate a replacement in a timely manner in the event that we need to replace any of our existing suppliers.

None of our Directors, their associates or any Shareholder (who, to the knowledge of our Directors, owns more than 5% of our Company's share capital as of the Latest Practicable Date) had any interest in any of our five largest raw material and equipment suppliers during the Track Record Period.

INDEPENDENT CONTRACTORS

We generally enter into an agreement with independent contractors which provide construction services for each of our treatment facilities in respect of our BOO and BOT projects.

Pursuant to the construction contractor agreements, we are generally responsible for the following: (i) leveling and landscaping the relevant land; (ii) obtaining the relevant construction permits; (iii) providing water, electricity, telecommunication lines from the construction site to other areas as specified in the agreement; (iv) connecting access roads between the construction sites and the urban and rural public roads as well as roads within the construction site; and (v) coordinating with the contractor on the design and drawing of the construction layout.

Pursuant to the construction contractor agreements, the contractor is generally required to perform the following: (i) completing the construction drawing and design within the timeline as specified in the agreement; and (ii) providing construction services. In the event of an accident as a result of inadequate safety measures by the contractor, the contractor will bear any damages or losses arising from such accident.

We are required to pay the contractor according to the terms as specified in the agreement. On the other hand, if the contractor is unable to complete the construction within the timeline agreed by both parties or if the quality of the construction does not meet the standards as agreed, the contractor is considered to have breached the agreement. In some circumstances, we will be entitled to terminate the agreement and claim for compensation for our economic losses.

In selecting our third party contractors, we consider a number of factors, including:

- the contractor must possess the requisite managerial capability, qualification for construction of the project as well as the requisite construction technologies;
- the contractor must have satisfactory past performance and experience in project construction;
- the contractor must have the financial strength to engage in such project; and
- the prices and quality of services to be provided by the contractor.

Under the PRC laws, we are not required to conduct an open tender process for the selection of independent contractors.

For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, the percentage of construction services performed by our largest contractor accounted for 32.4%, 25.1%, 35.4% and 67.1%, respectively. For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, the percentage of construction services performed by our five largest contractors accounted for 74.4%, 83.4%, 92.6% and 99.2%, respectively.

CUSTOMERS

Our wastewater treatment and industrial water supply services are primarily used by customers in the textile industry, the local governments for municipal wastewater treatment and customers in the pulp and paper-making, and food and beverage processing industries.

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The percentage of our total turnover attributable to our largest customer for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 was approximately 22.3%, 22.9%, 12.1% and 10.6%, respectively. The percentage of our total turnover attributable to our top five customers for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 was approximately 51.5%, 45.9%, 38.6% and 42.6%, respectively.

None of our Directors, their associates or any Shareholder (who, to the knowledge of our Directors owns more than 5% of our Company's share capital as of the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

MARKETING

Our marketing is undertaken by our public relations department, which is generally responsible for public and customer relations, logistics for tender submissions, business negotiations and client development.

With our main marketing emphasis being put on the industrial wastewater treatment industry, our marketing strategies are as follows:

- *Participate in industry events and increase liaison with various industry organizations.* We intend to participate in various industry events, increase communication and liaison with various wastewater treatment services industry organizations and invite the relevant participants (such as engineers and technicians) from such industry organizations to visit our facilities, with the aim to promoting our brand recognition and reputation.
- *Increase communication with the local governments.* We intend to continue increasing our communication with local governments, especially those in regions where we do not currently operate, including inviting government officials to visit our treatment facilities so as to promote our brand recognition. We believe that increased awareness by local governments of the quality of our wastewater treatment and industrial services and our treatment facilities will increase our reputation and allow us to establish stronger relationships with the local governments, which will help strengthen our market presence and positioning in our industry.
- *Apply for government grants.* We plan to continue applying for certain governmental subsidies for our R&D initiatives. In March 2013, Guangzhou Haitao applied for a grant of approximately RMB8.0 million from the local government for the development of the sludge treatment facility at the Yonghe Haitao Treatment Facility. We believe that such subsidies, if granted, by local governments will enhance our brand recognition. As of the Latest Practicable Date, such grant has not yet been approved.

RESEARCH AND DEVELOPMENT

We believe that we have strong research and development capabilities which enable us to customize and adapt existing technologies to suit the specific needs of our customers and evolving environmental standards. We maintain a research and development team, which primarily focuses on developing wastewater treatment and industrial water supply technologies in the textile industry. Our research and development team also carries out market research to explore and understand the needs of our customers. For instance, we plan to develop a prototype and carry out market research on the development of dyeing sludge biomass fuel in 2014. We aim to continue to develop new technology through research and experimentation which includes the studying of current industrial climate and the environmental regulatory requirements imposed on the wastewater treatment services industry, so as to meet market demands. Leveraging our extensive experience in the textile industry, we intend to continue developing technologies that can be utilized in other industries.

While we have, in our opinion, strong in-house R&D and technical capabilities, we also undertake research and development projects and cooperation agreements with well-known

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universities and research institutions including South China Institute of Environmental Sciences and Sun Yat-Sen University, which have research departments specializing in wastewater treatment technology and other environmental issues. At Sun Yat-Sen University, we established the CT Environmental Scholarship in cooperation with the School of Environmental Sciences and Engineering, a ten year, RMB3 million scholarship for students of the university. Our research and development projects typically involve specialized technical requirements, more demanding development processes and longer development completion times. By cooperating with the research institutions, we would be able to improve the design and engineering of our wastewater treatment and industrial water supply technology and equipment, shorten our development cycles and/or reduce our overall business costs and increase our efficiency. Typically, we are required to keep confidential any technology materials prepared for and provided to us by the research institution, and the research institution is also normally under confidentiality obligations in cases where we provide it with our own materials and information. In addition, the research institutions are generally required to keep confidential the results of the research and development efforts conducted in collaboration with us.

Pursuant to our agreement with South China Institute of Environmental Science (“SCIES”), the SCIES shall cooperate and assist us in optimizing the treatment technologies that we wish to develop for our Guangzhou Xintao Industrial Park Treatment Facility. The research expenses are to be contributed by both parties. We shall be responsible for costs relating to the on-site working environment and project facility engineering. There is no profit-sharing arrangement in relation to our cooperation with SCIES.

One of our current employees, who had previously applied for the patent rights to the Solar Reclaimed-Water Hybrid-Heat Source Sludge Drying System technology during the course of his employment, had transferred the utility patent and the application rights to the invention patent to us pursuant to two respective patent transfer agreements entered into with us on December 31, 2010. The State Intellectual Property Office of the PRC subsequently approved both such transfers. Our Directors have confirmed that there is no consideration paid by us to the employees for the transfer of utility patent and the application rights to the invention patent of Solar Reclaimed-Water Hybrid-Heat Source Sludge Drying System technology. According to our PRC legal counsel, such transfers do not violate any PRC laws or administrative regulations. Please refer to the section “Risk Factors — Risks Relating to Our Business — We may infringe on the intellectual property rights of others and may be unable to adequately safeguard our technology, and we may face claims that may be costly to resolve or limit our ability to use such technology in the future” in this prospectus. As of the Latest Practicable Date, our research and development team consisted of 15 employees including members holding senior engineering and/or assistant engineering qualifications. Mr. Huang Rong Zhou, the head of our R&D team, joined our Company in 2010 and has 30 years of experience in the environmental protection industry. Mr. Zhao Ke Yin, our chief engineer, joined our Company in 2004 and has approximately nine years of experience in wastewater treatment, with a special focus on industrial wastewater treatment technology. For more information on Mr. Huang’s and Mr. Zhao’s experience, please refer to the section headed “Directors and Senior Management — Senior Management” in this prospectus. Going forward, we expect our research and development expenditures to be approximately 5% of our turnover from wastewater treatment services.

In addition to Mr. Huang Rong Zhou and Mr. Zhao Ke Yin, the following sets forth details of the qualification and experience of the other key members of our in-house R&D team:

- (1) Mr. GAN Yong Xiong has been involved in the sludge drying industry since 2000. Mr. Gan joined Guangzhou To Kee in mid-2009 and was transferred to Guangzhou Xintao in 2010. Mr. Gan shall take charge of the sludge treatment project. Mr. Gan is involved in Guangzhou Xintao’s sludge treatment project with a volume of over 90 tonnes per day and Yonghe Haitao’s municipal sludge treatment project. Prior to joining us, Mr. Gan was employed at Zhejiang Lv Zhi Sludge Treatment Technology Company Limited as the general manager of the R&D department. Mr. Gan has successfully developed the Solar

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Reclaimed-Water Hybrid-Heat Source Sludge Drying System technology and obtained from the intellectual property office a utility patent. In 2008, Mr. Gan was employed as the general manager in the R&D department of Beijing Gelin Lande Environmental Technology Co. Limited. He has successfully developed the high-pressure sludge drying technology and obtained several patents;

- (2) Ms. LI Zhen Zhen joined us in March 2013 and has over two years of experience in the water pollution control and treatment industry as a trainee. Ms. Li graduated from the North University of China (Branch School) (中北大學(分校)) in July 2010, majoring in engineering relating to water treatment and water pollution control. Prior to joining us, Ms. Li interned at Foshan Ganghui Environmental Protection and Wastewater Treatment Company Limited (佛山港滙環保污水處理有限公司) and was responsible for the daily operation of textile wastewater treatment facilities. She obtained her master's degree in environmental science and engineering in 2013 from Guangdong University of Technology (廣東工業大學).
- (3) Ms. HUANG Jing joined Longmen Xilin in January 2009. Ms. Huang graduated from Huizhou University (惠州學院) in 1998 majoring in chemistry. Prior to joining us, Ms. Huang has worked with the Longmen Xilin local government from 2006 to 2008.
- (4) Ms. WU Min Yu graduated from Guangzhou University in July 2007. Ms. Wu joined Guangzhou Xintao in 2008. Ms. Wu obtained a certificate in water quality inspection issued by Guangdong Professional Skills Appraisal and Guidance Centre (廣東省職業技能鑒定指導中心) in 2004; and
- (5) Mr. FAN Pu Hang graduated from Guangdong Vocational School of Environmental Protection (廣東省環境保護職業技術學校) with a diploma in environmental monitoring in July 2006 and joined Guangzhou Xintao in 2011. Prior to joining us, Mr. Fan worked as a safety and environmental impact inspector for a private testing and inspection company.

As of the Latest Practicable Date, the technologies for which the patents have been granted to us include the following:

- A type of solar reclaimed-water hybrid-heat source sludge drying system (太陽能中水雙熱源熱泵污泥乾化系統). This system includes a solar power reclaimed water hybrid-heat source drying device, that can reduce the size of sludge and accelerate the sludge drying process. The investment cost of this model is relatively low;
- A type of system with deodorant, oxidizing and thermal insulation functions equipped for the fully-enclosed sludge rotary drum facility (一種全封閉污泥滾筒制肥設備的除臭供氧及集熱保溫系統). This facility reduces odor and dust pollution resulting from the fermentation process of sludge compost and improves its efficiency;
- A type of fully-enclosed and continuous aerobic sludge compost system powered by solar-energy (一種利用太陽能的全封閉型污泥連續好氧堆肥系統). The sludge compost fermentation process is conducted in the horizontal device within the solar fermentation shed. This system significantly reduces odor and dust pollution, improves oxidizing condition, shortens fermentation periods and saves energy. The semi-fermented sludge produced could be further processed into commercial fertilizers;
- A type of fully-enclosed and continuous sludge compost fermentation facility (一種全密封式污泥堆肥連續發酵處理設備). This facility could handle a large volume of sludge in short fermentation periods without creating odor pollution and the semi-fermented sludge produced could be further processed into commercial fertilizers;
- A type of textile and dyeing wastewater solid removal equipment (一種紡織印染廢水格渣設備). This utility model uses hydraulic power to power the rotary grid which guarantees a smooth flow of water allowing for a higher hydraulic power utility rate. The maintenance cost on this model is low and it does not corrode easily;

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- A type of anaerobic treatment equipment (一種厭氧反應處理設備). Through the two stage process of hydrolysis and acidification in the design of this new utility model, this equipment can effectively remove organic pollutants in a relatively short period of time. It can greatly improve and enhance water solubility and biodegradability and can further improve the wastewater’s BOD/COD ratio; and
- A type of solar industrial sludge drying system (一種太陽能工業廢熱污泥幹化系統). This system mainly operates to reduce the water content of sludge. The entire system is enclosed, which can greatly minimize the impact of sludge treatment on the surrounding environment.

In addition, Guangzhou Xintao has applied for the invention patent of “the system with deodorant, oxidizing and thermal insulation functions equipped for the fully-enclosed sludge rotary drum facility” (一種全封閉污泥滾筒制肥設備的除臭供氧及集熱保溫系統) on January 18, 2012.

AWARDS

Our commitment to excellence is evidenced by the numerous awards we received since our establishment:

Year of award	Award
2005	Guangzhou Xinzhou was awarded the “Creation of National Environmental Protection Model City Special Contribution Award, Guangzhou City” (廣州市創建國家環保模範城市特別貢獻獎)
2006	Guangzhou Xinzhou was awarded the “Outstanding Unit of Guangdong Environmental Publicity Award” (廣東環保宣傳優秀單位)
2007	Guangzhou Xintao was awarded the “2007 Key National Model Project for Practical Technology in Environmental Protection” (2007年國家重點環保實用技術示範工程) by the China Environmental Protection Industry Association (中國環境保護產業協會) in relation to our Guangzhou Xinzhou Industrial Park Treatment Facility
2009	Guangzhou Xintao was awarded the “Ecological Civilization Charity Award” (生態文明公益獎) by the Guangdong Province Environmental Protection Promotion Center (廣東省環境保護宣傳教育中心)
2011	Longmen Xilin was awarded the “2009-2010 Longmen County Harmonious Labour Relations Enterprise Award” (龍門縣勞動關係和諧企業) by the Longmen County People’s Government
2012	Guangzhou Xintao was awarded the “2011 Guangdong Province Outstanding Model Project in Environmental Protection” (2011年度廣東省環境保護優秀示範工程) for our wastewater treatment plant sludge pressure filtration and solar drying system by the Guangdong Province Environmental Protection Industry Association
2012	Guangzhou Xintao was awarded the “Key National Model Project for Practical Technology in Environmental Protection” (國家重點環保實用技術示範工程) by the China Environmental Protection Industry Association” in relation to our project on wastewater treatment plant sludge pressure filtration and solar drying system

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QUALITY CONTROL

Our operation department is responsible for quality control over the wastewater treatment and industrial water supply services provided to our customers. In order to ensure that our staff adhere to our quality control procedures, we conduct personnel training and education on quality assurance standards throughout the year. We have developed a comprehensive internal quality control management system as part of our commitment to adhere to our quality control.

We evaluate our testing and inspection procedures from time to time to determine whether they have been effective in ensuring that our equipment and treatment systems are of good quality. Where necessary, we would revise and improve our testing and inspection procedures. We also evaluate our work procedures and formulate corrective measures to rectify errors during operations and preventive measures to ensure that errors are not repeated in future operations.

To ensure the quality of our services and to prevent problems arising from our daily operations, we have developed a series of quality control and maintenance measures, including the following:

- We have a central computerized control system to track data and detailed records in the daily operation of our equipment and the quality of the discharged water. For details of our central computerized control system, please refer to the section headed “Business — Information System” in this prospectus.
- We maintain a management and emergency response system. In addition, we seek to further improve our safety responsibility system, safety inspection system and operating rules for different job positions. We typically arrange for staff training sessions, with the aim to prevent industrial accidents caused by mismanagement or mishandling of the facilities in the treatment process by our staff.
- Our professional technicians and laboratory personnel regularly track each aspect of our treatment systems in operations and maintain detailed records so that problems or defects in water quality can be easily detected. This ensures the quality of our wastewater treatment and industrial water supply process and helps us pre-empt problems that may arise during operations such that they can be remedied as soon as possible.
- Our technical personnel and laboratory operations personnel will conduct, from time to time, theoretical studies of wastewater treatment technologies and internal forums to exchange experience and ideas for both quality control and research and development purposes.
- We have professional personnel who perform routine electrical and mechanical inspection, maintain detailed maintenance reports and carry out maintenance and repair on our facilities including the wastewater lift pumps, blowers and wastewater frame filter equipment.
- We hold meetings, from time to time, for our full-time management team members and technical staff to discuss and analyze operational problems that have occurred with a view to provide better emergency solutions to unexpected problems that may arise in the future.

The quality of our services is also being monitored 24 hours a day by the local government. The local government has installed a computerized control system at the facility allowing them to monitor the quality of our treated wastewater.

For our BOO projects, we have implemented the following measures to minimize the unauthorized discharge of wastewater by our customers:

- We inspect and monitor the wastewater discharge of our customers in the industrial park;
- In the event that there is an unauthorized discharge of wastewater by a customer, we will immediately cease to provide wastewater treatment services to such customer and will notify the relevant environmental protection authority. We will resume providing

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wastewater treatment services to such customer only after we are satisfied that such customer has ceased such unauthorized discharge of wastewater, passed the relevant checking and acceptance test as well as paid any required fine imposed as a result of such unauthorized discharge; and

- We monitor the volume of water used by our customer and the volume of wastewater discharged by such customer, and we will investigate if there is a significant discrepancy between the volume of water used by our customer and the volume of wastewater discharged by such customer since such discrepancy may indicate an unauthorized discharge of wastewater.

For our BOT projects, we are responsible for the wastewater treatment process within our treatment facilities and are not liable for any unauthorized discharge incident occurring outside our treatment facility area. We are not under any legal obligations to monitor the discharge of wastewater by our customers.

On January 13, 2011, Guangzhou Xintao attained the ISO 9001: 2008 certification. The ISO certificate process involves subjecting our operating processes and quality management system to annual surveillance audits by the ISO certification body. We have made continuous improvement in our quality management system and attained the ISO 14001: 2004 certification on January 13, 2011 for its environmental management system and have passed annual surveillance audit in 2012.

REPAIRS AND MAINTENANCE

Our repairs and maintenance programs, which are primarily targeted for wastewater treatment and industrial water supply facilities, are designed to increase production efficiency and prevent unexpected interruption of our operations. Such programs are carried out by our machinery and electrical repair teams. Our machinery and electrical repair teams carry out day-to-day repairs and maintenance of the facilities and equipment for our operations on an as-needed basis.

ENVIRONMENTAL MATTERS

We are subject to national and local environmental protection laws and regulations in China, including the Environmental Protection Law of the PRC, the Law of the PRC on Appraising Environment Impact and the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》). For further details, please refer to the section headed “Regulations — Environmental protection” in this prospectus. We have implemented measures in the operation of our business to ensure compliance with the applicable requirements under the PRC environmental laws and regulations. We are generally required to comply with the applicable laws and regulations, but specific requirements to do so are usually not stipulated in the relevant contracts for our projects or equipment supply. During the Track Record Period and up to the Latest Practicable Date, we have not received any claims from our customers for failing to comply with the relevant licensing and environmental requirements.

Our PRC legal counsel has advised that, as of the Latest Practicable Date, save as disclosed in this section, we had obtained all the material environmental licenses and certificates for each of our projects based on their respective stages of development, and we had complied in all material respects with the relevant environmental laws and regulations.

Environmental Impact Assessment and Checking and Acceptance of Facilities

We are required to carry out an environmental impact assessment before commencing construction of production facilities and the installation of pollution treatment facilities that meet the relevant environmental standards and treat pollutants before discharge for all our BOT and BOO projects.

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We are also required by relevant PRC regulations to apply for the checking and acceptance of our facilities on the completion of environmental protection facilities within three months, or under certain circumstances within a year, after the commencement of trial operations of the relevant treatment facilities. If we do not initially pass the required checking and acceptance, we will be required to rectify the problem and make improvement to our facilities according to the governmental specifications and recommendations until we pass such required checking and acceptance. In such event, during the process of making such improvement to our facilities, our operations may be subject to disruptions, which could materially and adversely affect our business and results of operations. Yonghe Haitao Treatment Facility (Phase I) had passed the checking and acceptance and obtained the Pollutants Discharge Permit in March 2011. Longmen Xilin Treatment Facility (Phase II) and Huaihua Tianyuan Treatment Facility (Phase I) had passed the checking and acceptance and obtained the Pollutants Discharge Permit in April 2011 and March 2011, respectively. Yonghe Haitao Treatment Facility (Phase II) had also passed the checking and acceptance and obtained the Pollutants Discharge Permit in March 2013.

Our PRC legal counsel has advised that, as of the Latest Practicable Date, the wastewater treatment facility of the Yinglong Project had not passed checking and acceptance. According to our PRC legal counsel, if a wastewater treatment facility fails to pass the required checking and acceptance within three months after the commencement of its operation, the relevant governmental authority may impose a deadline before which the checking and acceptance must be completed, order the termination of any operation at the relevant facility, or impose a fine of up to RMB50,000. As of the Latest Practicable Date, the relevant governmental authority has not imposed any deadline, ordered any termination or imposed any fine on us. On July 24, 2013, the Ministry of Environmental Protection accepted the application for checking and acceptance by Guangzhou Yinglong, and assigned South China Environmental Protection Supervision Center to conduct a site inspection as part of the checking and acceptance process.

Qualification Certificate for the Operation of Environmental Pollution Treatment Facilities (the “Qualification Certificate”)

We are required by applicable PRC laws to obtain the Qualification Certificate for operating wastewater treatment plants. On December 20, 2010, Guangzhou Xintao obtained the Provisional Level A Qualification Certificate (環境污染治理設施運營資質證書(甲級臨時)), which is valid for one year and allows Guangzhou Xintao to operate its wastewater treatment facilities and provide municipal sewage and industrial wastewater treatment services, including waste leachate treatment services, nationally during this period. Pursuant to various entrustment agreements entered into between Guangzhou Xintao and its subsidiaries, Guangzhou Xintao operated the relevant projects on behalf of such subsidiaries in accordance with the Provisional Level A Qualification Certificate. According to our PRC legal counsel, such entrustment agreements do not violate any PRC laws or administrative regulations, nor are we required to obtain approvals or consents from the relevant governmental authorities to enter into such entrustment agreements. Each of these entrustment agreements has been registered with the relevant local environmental bureaus. Prior to the expiration of the Provisional Level A Qualification Certificate, we had applied for the conversion of our Provisional Level A Qualification Certificate to a formal Level A Qualification Certificate, which is valid for three years. The applicable PRC laws provide that an applicant’s Provisional Level A Qualification Certificate can be converted into a formal Level A Qualification Certificate by providing supporting documents showing the operation of pollution abatement facilities for 300 days or more and the attainment of the requisite standard for the discharge of pollutants.

Prior to December 20, 2010, we had operated our wastewater treatment facilities without the Provisional Level A Qualification Certificate. Pursuant to the then applicable Management Methods for Approval of Qualification for Operation of Environmental Pollution Control Facilities (《環境污染治理設施運營資質許可管理辦法》), in order to apply for a Level A Qualification Certificate, among

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other requirements, the applicant is required to have no fewer than ten specialized technicians, with at least five of these technicians having a high level of expertise. We had completed our search for qualified experts to meet this personnel requirement by April 2010. Prior to this, we were of the view that relevant regulations were not strictly enforced and as a result, we did not see an immediate need for such compliance. Accordingly, we had taken our time to search for suitable qualified experts. Also, due to the developing regulatory environment at the time, we faced competition from other companies not possessing the relevant Qualification Certificate. However, our Directors are of the view that in light of the increasingly strict regulation of wastewater treatment services, it is presently unusual for wastewater treatment companies to operate without the relevant Qualification Certificate.

In 2010, we undertook a review of the relevant legal and regulatory requirements and subsequently enhanced our efforts to build our professional team in order to meet the application requirements for the Provisional Level A Qualification Certificate. As soon as we attained the aforementioned personnel threshold, we immediately submitted our application in April 2010 and successfully obtained the Provisional Level A Qualification Certificate on December 20, 2010. As we started formal operations of some of our wastewater treatment facilities before receiving the Provisional Level A Qualification Certificate on December 20, 2010, we may be subject to a fine not exceeding RMB120,000 in total for our relevant wastewater treatment facilities. However, our PRC legal counsel has advised us that we would not be subject to any forfeiture of profits earned prior to obtaining the Provisional Level A Qualification Certificate or any penalty other than the aforementioned fine. Further, we have obtained four separate written confirmations from the relevant environmental protection departments, which are the competent authorities according to our PRC legal counsel, that all relevant project companies would not be subject to any additional penalties beyond the potential fine not exceeding an aggregate of RMB120,000. Our Directors believe that such potential maximum fine will not have a material or adverse impact on our results of operations or financial condition.

As of the Latest Practicable Date, no such fine had been imposed on us by the relevant governmental authorities. Further, in January 2011, the relevant environmental protection authorities issued written confirmations that our project companies with operating wastewater treatment facilities at the time (comprising Guangzhou Xintao, Guangzhou Haitao, Longmen Xilin and Huaihua Tianyuan) met the relevant national and local standards for wastewater discharge as of the date of confirmation since each project company's respective establishment. Our PRC legal counsel has advised us that, in light of the aforementioned written confirmations, the customers of these project companies are not entitled to raise any claims regarding wastewater treatment services provided by these project companies prior to our obtaining the Provisional Level A Qualification Certificate and entering into the related entrustment agreements dated December 22, 2010.

In September 2011, prior to the expiry of the Provisional Level A Qualification Certificate, we applied for the conversion of our Provisional Level A Qualification Certificate to a formal Level A Qualification Certificate, which is valid for three years. On March 2012, we received the formal Level A Qualification Certificate. Due to the time required for the relevant governmental authority in processing our application, we had not received the formal Level A Qualification Certificate before the expiry of our Provisional Level A Qualification Certificate. The delay was not due to our qualification or competence required to obtain the formal Level A Qualification Certificate, but due to the administrative time required to process our application. As advised by our PRC legal counsel, we will not be imposed any penalty for operating our business from December 2011 to March 2012 without a formal Level A Qualification Certificate because we submitted our application for the conversion of the Provisional Level A Qualification Certificate to the relevant governmental authority before the expiry of the Provisional Level A Qualification Certificate.

We had never been notified by the relevant governmental authorities to suspend or stop operations of our facility as a result of not obtaining the relevant Qualification Certificate for Guangzhou Xinzhou Industrial Park Treatment Facility.

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Our subsidiaries have not applied for the relevant Qualification Certificate themselves because better utilization of resources can currently be achieved by having Guangzhou Xintao obtain the Qualification Certificate and operate the relevant plants on behalf of the relevant plants through entrustment agreements. The application for a Qualification Certificate by each of our subsidiaries would have involved a significant amount of resources and was not necessary in view of the entrustment agreements entered into between Guangzhou Xintao and each of the relevant subsidiaries, as confirmed by our PRC legal counsel. Specifically, we have noted that the Provisional Level A Qualification Certificate application process can take over half a year, and we have calculated that the cost for each subsidiary to meet the approval requirements is estimated to be approximately RMB500,000 in laboratory equipment expenditures and RMB750,000 per year in personnel expenditures. Under the entrustment agreements, Guangzhou Xintao shall (i) select several specialist technicians to administer the operation of each wastewater treatment plant, including the daily management of process flow, laboratory, central control room and on-line equipment as well as operations and maintenance of equipment; and (ii) assist the relevant subsidiaries in conducting environmental management formalities, including the submission of relevant operation records and the acceptance of the inspection and supervision of environment protection authorities. Our PRC legal counsel is of the opinion that such entrustment arrangements are neither prohibited nor restricted by the BOT contracts between the relevant subsidiaries and local governments and/or their customers and that the relevant subsidiaries are not required to seek consent or endorsement from the local governments and/or their customers in this respect.

Pollutants Discharge Permit and Water-Drawing Permit

We are also required under PRC law to obtain the relevant Pollutants Discharge Permits for the operation of each of our wastewater treatment facilities. We have obtained the Pollutants Discharge Permit for our Guangzhou Xinzhou Industrial Park Treatment Facility, Longmen Xilin Treatment Facility, Yonghe Haitao Treatment Facility (Phase I and Phase II), Huaihua Tianyuan Treatment Facility (Phase I) and the Yinglong Project. Our PRC legal counsel had also confirmed that we had obtained the relevant Water-Drawing Permits. Details of our approvals, permits, licenses and certificates are set out in the sections headed “Regulations — Land Use Rights and Construction Land Planning Permit”, “Regulations — Water-Drawing Permit”, “Regulations — Environmental Protection” and “Regulations — Qualifications for the Operation of Environmental Pollution Treatment Facilities” in this prospectus. The Controlling Shareholders have agreed to indemnify us for all the losses and damages suffered by us as a result of us having failed to obtain, or if we fail to obtain or maintain any approvals, permits, licenses and certificates required for our operations.

Illegal Discharge of Wastewater

On November 29, 2009, the Zengcheng Environmental Protection Bureau notified us that Guangzhou Xintao violated the wastewater discharge standard and had illegally discharged untreated wastewater from the treatment facility. Guangzhou Xintao suspended its operation during the period from November 30, 2009 to December 1, 2009 to rectify the problems. Guangzhou Xintao rectified the violations and re-commenced operations of the treatment facility on December 2, 2009. To the best knowledge of our Directors, the alleged violation of the wastewater discharge standard and illegal wastewater discharge in 2009 was resulted from a damaged valve in a maintenance pipe, which led to an inadvertent leakage of wastewater. We use a maintenance pipe to drain away residue wastewater from a distribution tank during regular maintenance of our wastewater treatment facility. In February 2009, when we conducted our regular maintenance, we discovered that the valve of the regular maintenance pipe being used was not functioning properly as the residue wastewater in the tank did not completely drain off. To rectify the situation, we linked a new pipe with a functioning valve to the regular maintenance pipe, so as to allow excess wastewater in the distribution tank to properly drain away through the maintenance pipe for future maintenance. Subsequently, due to corrosion, the valve of the new pipe became damaged, resulting in inadvertent leakage of wastewater from the new pipe at a time when we were not performing maintenance of the facility. To the best knowledge of our Directors, there had been no malice involved in this alleged violation of wastewater discharging standard and illegal discharge of wastewater. Immediately after becoming aware of the incident, our Directors cooperated with the investigation by the relevant environmental department and took corrective measures, including cooperating with the relevant enforcement department to perform

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excavation and rectification, and sealing all possible leaking discharge outlets. At the same time, we installed our reclaimed water flow meters which enable us to detect unauthorized discharge of wastewater. As the inadvertent discharge of wastewater was a result of leakage due to a corrosive valve, we do not believe we would have derived any material cost-savings if we had met the wastewater discharge standards and discharge treated wastewater properly during this incident. To the best knowledge of our Directors, the amount of such illegal discharge of wastewater was not material and as such, no material cost savings was derived by us during this alleged incident. Had we been aware of the corrosion prior to the incident, the cost that needed to be incurred to repair the valve would have been minimal. To the best knowledge of our Directors, the alleged incident had minimal, if any, impact on the environment and residents in the vicinity. To the best belief of our Directors, the risk of litigation arising from such pollution is minimal as the incident did not lead to any health, social or environmental issues in the vicinity. The discharging outlet of Guangzhou Xintao Industrial Park Treatment Facility is located at the downstream of the river where there is no water intake point for agricultural or domestic use. Given that the discharging outlet is at the mouth of a river that flows into the ocean, we believe the potential impact on the residents of the vicinity was minimal. As such, the discharge of the wastewater in connection with the alleged incident would have minimal impact, if any, on the environment. As a result of the alleged violation of wastewater discharge standard and illegal discharge of untreated wastewater, we were charged an administrative fine of approximately RMB352,000 on November 29, 2009 and we paid such fine on December 4, 2009. Our PRC legal counsel is of the opinion that other than such fine of approximately RMB352,000, there will not be any other fines or penalties for the same incident. Our PRC legal counsel confirmed that based on the certification documents issued by the relevant environment protection authorities, we have not been involved in any other similar non-compliance matters, nor subject to any other administrative penalties.

In 2010, Guangzhou Xintao was one of 20 enterprises in Guangdong province which were listed to make rectifications in 2010. The rectification had resulted from the incident relating to the illegal discharge of untreated wastewater in 2009. On November 28, 2009, the Ministry of Environmental Protection Inspection Center of Southern China (國家環保部華南督查中心), along with the Guangzhou Municipal Environmental Protection Bureau (廣州市環保局) and the Zengcheng Environmental Protection Bureau (增城市環保局), carried out investigations into the illegal wastewater discharge incident. Guangzhou Xintao suspended its operations from November 30, 2009 to December 1, 2009 to rectify the non-compliance according to the specifications and requirements by the relevant government authorities. On December 3, 2009, the local government of Zengcheng city, Guangdong province and the officials from both Guangdong provincial and Guangzhou city environmental protection authorities conducted a site inspection of our facility. On December 6, 2009, we applied to the Zengcheng Environmental Protection Bureau, the competent authority according to our PRC legal counsel, for acceptance of our rectification. On December 11, 2009, the Zengcheng Environmental Protection Bureau conducted on-site inspection of our facility and confirmed that we had sufficiently rectified the non-compliance. Since February 2011, we have been removed from such list.

Odor Pollution

In April 2012, following a complaint of odor pollution with respect to the Xintang Environmental Protection Industrial Park by nearby residents of the Zhong Yi Hai Lun Bao Neighbourhood, the Guangzhou Environmental Inspection Team and the Guangzhou Municipal Environmental Monitoring Center jointly visited Guangzhou Yinglong to collect air sample at the boundary of the Yinglong Project and carried out tests of such samples. The test results revealed that the odor level at the boundary of the location of the Yinglong Project had exceeded the level prescribed under the relevant PRC laws and regulations, which we believe was partly due to the fact that deodorization equipment had not been installed in the wastewater treatment facility. As the Yinglong Project had previously been owned and developed by Xintang Water, an independent third party, prior to the acquisition by Guangzhou Yinglong, the deodorization equipment was not installed at the time when the air sample was taken. However, the second sampling conducted in July 2012 indicated that Guangzhou Yinglong had not exceeded the relevant odor emission standards. The Zengcheng Environmental Protection Bureau did not impose any penalty on Guangzhou Yinglong after taking into account (i) the result of the second sampling, (ii) the challenge raised by Guangzhou Yinglong against the testing methodology

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adopted for the first sampling in April 2012, including the failure by the Guangzhou Environmental Inspection Team to consider in its analysis certain circumstantial factors, such as the wind direction at the air sample collection point and the emissions from the adjacent livestock wastewater treatment facilities, and (iii) the plan of Guangzhou Yinglong to install deodorization facilities. Moreover, as part of the conditions in passing the checking and acceptance of the wastewater treatment facility of the Yinglong Project, Guangzhou Yinglong has already commenced the installation of the deodorization equipment.

According to the certificate issued by the Zengcheng City Environmental Protection Bureau on April 3, 2013, Guangzhou Yinglong has complied with the standards under the relevant PRC environmental laws and regulations since its establishment and the discharge of the pollutants has complied with both the national and local standards.

Environmental Warning

Longmen Xilin was named a “yellow card enterprise” by the Guangdong Provincial Environmental Protection Department, the competent authority in charge of the credit rating review according to our PRC legal counsel. This designation was based on a single instantaneous sampling during a site inspection conducted in December 2011 by Guangdong Provincial Environmental Monitoring Center, which found that the treated wastewater samples taken from the Longmen Xilin Treatment Facility contained a coliform bacteria count which is higher than the level prescribed under the relevant PRC laws and regulations. The Guangdong Provincial Environmental Monitoring Center is authorized by the Guangdong Provincial Environmental Protection Department to be in charge of, among others, formulating the monitoring policies and standards relating to environmental protection and supervising monitoring activities relating to environmental protection, including the monitoring of the enterprises identified as key sources of pollution.

After being named a “yellow card enterprise”, a team of experts and technicians engaged by Longmen Xilin had conducted a thorough review of the operational records of Longmen Xilin in respect of its equipment and facilities for the period from January 2011 to March 2012, and the review findings did not indicate any abnormal or excessive level of coliform bacteria count in the sampled wastewater. In addition, based on our review of the monitoring report issued by the Guangdong Provincial Environmental Monitoring Center dated December 31, 2011 in around March 2012, we understood that the sampling methodology adopted by the Guangdong Provincial Environmental Monitoring Center was single instantaneous sampling, which is different from the methodology prescribed under the applicable national standard. In particular, as advised by our PRC legal counsel, the sampling methodology adopted by the Guangdong Provincial Environmental Monitoring Center was different from that prescribed in the national “Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant” (GB18918-2002), according to which the maximum permissible level of coliform bacteria count should be an average number based on the results taken from a sampling frequency of at least once in every two hours within a period of twenty-four hours. Our PRC legal counsel also confirmed that no local standard is available in Guangdong Province in relation to the discharge of coliform bacteria and the testing of the level of coliform bacteria count for municipal wastewater treatment plants. We believe that the methodology adopted by the Guangdong Provincial Environmental Monitoring Center produced a rare and exceptional level of excessive coliform bacteria count in contrast with the level of coliform bacteria count generated by the methodology in accordance with acceptable national standard. Therefore, we believe that the excessive level of coliform bacteria count identified in the December 2011 findings was not attributable to any internal control deficiency of Longmen Xilin but was resulted from the sampling methodology adopted by the Guangdong Provincial Environmental Monitoring Center which, in our opinion, differs from the applicable national standard. Nevertheless, we believe that the excessive level of coliform bacteria count arising from the single instantaneous sampling would have been prevented if we had further enhanced our method in operating our ultra-violet disinfection system. After being named as a “yellow card enterprise”, Longmen Xilin has taken various measures to improve the operation of its ultraviolet disinfection system, which sterilizes wastewater more effectively. For instance, since we were informed of the non-compliance incident by the Guangdong Provincial Environmental Monitoring Center, we have been monitoring the daily operation of our ultra-violet disinfection system more stringently and changing the ultra-violet light source more frequently in order to maximize the

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efficiency of the ultra-violet disinfection system. As of the Latest Practicable Date, no penalty has been imposed by the relevant authorities for the excessive level of coliform bacteria count identified by the Guangdong Provincial Environmental Monitoring Center as a result of the December 2011 findings.

As a result of being named a “yellow card enterprise”, Longmen Xilin was, during the year after being named as such, subject to more strict and frequent site inspections by the competent authorities of environmental protection at all levels of Guangdong province, which aim to assist Longmen Xilin to comply with all relevant PRC environmental protection laws and regulations. As confirmed by our PRC legal counsel, the relevant PRC laws and regulations do not impose any penalty on entities being named a “yellow card enterprise”. The official of Longmen County Environmental Protection Bureau, the competent authority in charge of the daily regulation of Longmen Xilin in terms of environmental protection according to our PRC legal counsel, has verbally confirmed that he was not aware of Longmen Xilin being involved in any environmental non-compliance incidents in 2012 and as such the credit rating status of Longmen Xilin would be converted into a “green card enterprise” after the 2012 annual credit rating review.

In relation to the 2012 annual credit rating review of Longmen Xilin, according to our Directors, Guangdong Provincial Environmental Monitoring Center conducted a one-off test for the level of coliform bacteria count in the wastewater treated at the Longmen Xilin Treatment Facility. On July 15, 2013, the Guangdong Provincial Environmental Protection Department published on its website the result of the 2012 annual credit rating review, according to which Longmen Xilin was listed as a “green card enterprise”.

Based on the verbal confirmation given by the official of Longmen County Environmental Protection Bureau that there have been no environmental non-compliance incidents of Longmen Xilin in 2012, Longmen Xilin having been listed as a “green card enterprise” in the 2012 annual credit rating review as published on the website of the Guangdong Provincial Environmental Protection Department on July 15, 2013, and our internal control consultant not having identified any particular internal control deficiency in our operation of the Longmen Xilin Treatment Facility, the Sole Sponsor is of the view that the existing measures taken to improve the operation of the ultraviolet disinfection system of Longmen Xilin are adequate and effective.

Our Directors consider the existing measures to prevent occurrence of similar non-compliance incidents of Longmen Xilin and Guangzhou Yinglong adequate and effective.

Compliance Costs

Our environmental compliance expenses were HK\$8.2 million, HK\$0.8 million, HK\$0.8 million and HK\$0.6 million during the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, respectively. Such costs were primarily attributable to the wastewater discharge fees paid in connection with Guangzhou Xinzhou Industrial Park Treatment Facility for 2010, 2011, 2012 and the four months ended April 30, 2013.

HEALTH AND SAFETY COMPLIANCE

Pursuant to national and local health and safety laws and regulations in China, we are required to provide our employees a safe working environment, which includes providing adequate protective clothing and gear, providing safety education and training and having dedicated safety management personnel, among other requirements. In addition, operators of certain wastewater treatment equipment must undergo special training and obtain special work permits. We also conduct regular inspection and maintenance checks on our equipment to ensure they are in compliance with the applicable national or industrial standards in respect of their design, manufacturing, installation and use.

We believe our health and safety control measures are adequate and comply with applicable national and local health and safety laws and regulations in China. During the Track Record Period and up to the Latest Practicable Date, none of our employees had been involved in any major accident

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in the course of their employment and we had complied with the applicable national and local health and safety laws and regulations in all material respects, and the relevant PRC authorities have not imposed any sanctions or penalty on us for incidents of non-compliance of any health and safety laws or regulations in China.

INSURANCE

We currently hold insurance policies that we believe are sufficient for our operations.

In accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance, including pension, medical insurance, unemployment insurance, occupational injuries insurance and childbirth insurance, as well as a housing fund for our employees. During the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, we made social insurance contributions for our employees in China in the amount of approximately HK\$503,000, HK\$1,582,000, HK\$2,102,000 and HK\$911,000, respectively. According to confirmations issued by respective government authorities, which are the competent authorities according to our PRC legal counsel, each of our PRC subsidiaries had made social insurance contributions for their employees in accordance with the requirements pursuant to the applicable laws and regulations and we had not been subject to any penalty, and there was no outstanding social insurance payment. Pursuant to confirmations issued by the local housing fund authority, which is the competent authority according to our PRC legal counsel, each of the PRC subsidiaries has made housing fund contributions for our employees. According to our PRC legal counsel, we have complied with the statutory social insurance and housing fund obligations applicable to us in all material respects under PRC laws during the Track Record Period and up to the Latest Practicable Date.

For BOO projects, we maintain employee group insurance with China United Property Insurance Company Limited and we also maintain commercial insurance with China Pacific Property Insurance (Group) Co., Ltd. for property damage arising from certain accidents on our property. For the buildings of Guangzhou Xintao and Guangzhou Kaizhou, the risks we are insured against include those caused by natural disasters, such as fire or flood. We do not maintain property insurance for our raw materials used in our operations.

As advised by our PRC legal counsel, we are not required under PRC law to maintain insurance for the construction and operation of the facilities for our projects. Our projects do not impose an obligation on us or our customers to take up insurance on our projects. We do not maintain insurance for the construction and operation of the facilities for our projects. We are capable of purchasing such insurance but chose not to do so because it is not mandatory for us to purchase such insurance and we consider the risks normally associated with the construction and operations of our facilities not high. We maintain insurance for our employees covering accident claims arising during the course of construction and insurance covering claims of property damage relating to our operations. Furthermore, we have developed and implemented a safety management policy and have provided safety training for our operating personnel and ensured that the operators have undergone special training. Based on the overall assessment of the operating risk for our present business operations, our Directors are of the view that such insurance is not necessary. In future, as our operations expand, we shall reassess such operating risk and determine if additional insurance is necessary.

During the Track Record Period and up to the Latest Practicable Date, no material workers' compensation claims, third party liability claims or accident compensation claims had been filed against us. We cannot assure you that such claims will not be brought against us in the future. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — Our inability to maintain our competitiveness could adversely affect our financial performance" in this prospectus.

COMPETITION

The wastewater treatment and industrial water supply market in the PRC has evolved significantly over the past decade. We operate in a highly competitive and fragmented market. We face competition primarily from wastewater and industrial water supply solutions providers in the PRC and a number of international environmental services companies. We believe companies engaged in the

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wastewater treatment and industrial water supply industry mainly compete on the following factors: project execution capability, research and development capability, understanding of the local governmental landscape, quality and price of wastewater treatment and industrial water supply services, brand reputation, marketing and customer services.

Certain of our competitors may have greater brand recognition, economies of scale, or longer track records and more established relationships in certain markets in which we operate. However, we believe that we can compete effectively with our competitors principally due to our following competitive strengths: our strong research and technical expertise, our extensive project execution capabilities, our cost-effective, integrated and centralized treatment solutions, and our strong brand recognition. For further discussion of the competitive landscape we face for our services, please refer to the section headed “Industry Overview” in this prospectus.

INFORMATION SYSTEM

We have invested in our information system in order to improve the efficiency of our operations. Currently, we have in place a central computerized control system for each of our treatment plants to track data and system parameters and detailed records in the daily operation of our major facilities and equipment. The system can also track data on the wastewater discharge volume as well as its specifications including COD, ammonia nitrogen and pH levels. In addition, we have in place a financial management system which manages the financial accounting and analysis of our headquarters, subsidiaries and offices. During the Track Record Period, we were not aware of any material breakdown of our information system which adversely affected our operations.

INTELLECTUAL PROPERTY

We believe that our technologies and techniques are critical to our success and are important to our brand recognition, our profitability and our future business prospects. As of the Latest Practicable Date, we had seven patents in connection with our wastewater treatment business. For further details, please refer to the sections headed “Business — Research and Development” and “Statutory and General Information — Information about our Business — 2. Intellectual property rights of our Group” in this prospectus.

In order to protect the confidentiality of our research and development results, it is our company policy that we impose confidentiality obligations on employees in our research and development department and on the senior staff of our public relations and operation departments. Pursuant to such obligations, such employees and senior staff agree not to reveal any confidential information in relation to our Group. In addition, there is a segregation of duties among personnel involved at the different stages of our engineering process. We believe this helps reduce the risk of any of our staff member coming into possession of comprehensive technical know-how related to the entire engineering process. Please refer to the section headed “Risk Factors — Risks Relating to Our Business — We may infringe on the intellectual property rights of others and may be unable to adequately safeguard our technology, and we may face claims that may be costly to resolve or limit our ability to use such technology in the future” in this prospectus.

Our Directors confirmed that during the Track Record Period and as of the Latest Practicable Date, we had not been involved in any proceedings in respect of, and we had not received notice of any claims of infringement of any intellectual property rights that may be threatened or pending, in which we may be involved whether as a claimant or as a respondent.

EMPLOYEES

As of April 30, 2013, we employed a total of 348 full-time employees. Please refer to the section headed “Directors and Senior Management — Employees” for a breakdown of our employees by function.

Compensation for our employees includes basic wages, variable wages, bonuses and other staff benefits. For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, our employee benefit expenses were approximately HK\$7.0 million, HK\$12.6 million, HK\$17.1 million and HK\$7.3 million, respectively.

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During the Track Record Period, we complied with the applicable labor laws and regulations in all material aspects.

In accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance, including pension, medical insurance, unemployment insurance, occupational injuries insurance and childbirth insurance, as well as a housing fund for our employees. Please refer to the section headed “Business — Insurance” in this prospectus.

REAL PROPERTY

According to our latest audited consolidated statements of financial position in the accountants’ report set forth in Appendix I to this prospectus, the total carrying amount of our property interests and of our total assets as at April 30, 2013 were HK\$126.2 million and HK\$1,265.5 million, respectively. Furthermore, as of April 30, 2013:

- no single property interest that formed part of our property activities (as defined in Rule 5.01 of the Listing Rules); and
- no single property interest that formed part of our non-property activities had a carrying amount of 15% or more of our total assets.

Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. Furthermore, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all our Company’s interests in land or buildings.

Properties owned or occupied by us

Our head office in the PRC is located in 17/F, Best Centre Tower, 321 Gangkou Road, Xintang Town, Zengcheng, Guangzhou, China. As of Latest Practicable Date, we owned four parcels of land, with an aggregate site area of approximately 170,346.41 square meters. We own or occupy several buildings and units, with an aggregate gross floor area of approximately 91,414.93 square meters, including 47,341.46 square meters under construction. These properties are occupied by us for, among other things, our BOO projects. All of the properties we own or occupy are located in Guangdong province and Sichuan province.

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Details of the properties we own or occupy are set out below:

Project Company	Description	Use	Gross Floor Area (square meters)	Restriction on use	Encumbrances
Guangzhou Kaizhou	Nan She Bay, Xizhou Village, Xintang Town	Port ⁽¹⁾	9,604.1	No transfer of land use right, unless consent is granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)	Subject to the mortgage granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)
	Dongjiang Riverside, Nan She Bay, Xizhou Village, Zengcheng city	Non-residential premises (Pharmacy, restroom, pump station (Grade 1), pump station (Grade 2), water collection tank, electricity distribution room, generator room, electricity distribution room)	924	No transfer of property right, unless consent is granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)	Subject to the mortgage granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)
Guangzhou Xintao	Nan She Bay, Xizhou Village, Xintang Town	Port ⁽¹⁾	45,856.7	No transfer of land use right, unless consent is granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)	Subject to the mortgage granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)
		Non-residential premises (Office)	895.69	No transfer of property right, unless consent is granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)	Subject to the mortgage granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)
	Dongjiang Riverside, Nan She Bay, Xizhou Village, Xintang Town, Zengcheng city	Non-residential premises (Office)	933.78	No transfer of property right, unless consent is granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)	Subject to the mortgage granted by the Industrial and Commercial Bank of China (Guangzhou Xintang branch)
Guangzhou Haitao	Sludge Treatment Building, Yonghe Wastewater Treatment Plant, Xintang Town, Zengcheng city	Sludge/Wastewater treatment plant	900	Subject to the land use right period of 25 years as stipulated under the BOT operation agreement entered between Guangzhou Haitao and the People's Government of Xintang Town	N/A

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Project Company	Description	Use	Gross Floor Area (square meters)	Restriction on use	Encumbrances
Guangyuan Xizhou	Phase III Project Building, Yonghe Wastewater Treatment Plant, Xintang Town, Zengcheng city	Wastewater treatment plant	15,498	Subject to the land use right period of 25 years as stipulated under the BOT operation agreement entered between Guangzhou Haitao and the People's Government of Xintang Town	N/A
Shi Qiao Village, Bao Lun District, Li Zhou, Guangyuan Town	Industrial		114,885.61	—	—
Textile Park Supply and Water Treatment Plant (Phase I)	Industrial water supply and wastewater treatment plant		31,843.46	—	—
Guangzhou Yinglong	Xintang Environmental Protection Industrial Park	Wastewater treatment facilities	40,420	Subject to the collective land use right period from March 1, 2012 to September 30, 2028 stipulated under (1) the collective land use rights sub-lease agreement dated March 1, 2012 entered into between Guangzhou Development Xintang Water Service Company Limited (廣州發展新塘水務有限公司) and Guangzhou Xintao, and (2) the agreement dated December 28, 2012 entered into among Guangzhou Development Xintang Water Service Company Limited (廣州發展新塘水務有限公司), Guangzhou Xintao and Guangzhou Yinglong	N/A

(1) According to the confirmation letter dated January 5, 2011 issued by the Urban and Rural Planning Bureau of Zengcheng city, the competent authority according to our PRC legal counsel, Guangzhou Xintao and Guangzhou Kaizhou have received the consent from the Urban and Planning Bureau of Zengcheng city for the conversion of the use of the relevant parcel of land from port to industrial use. In addition, according to the confirmation letter dated January 5, 2011 issued by the Land Resource and Housing Management Bureau of Zengcheng city, the competent authority according to our PRC legal counsel, it will process the applications for the conversion of the use of the relevant parcel of land as per the applications made by Guangzhou Xintao and Guangzhou Kaizhou, and the relevant conversion does not affect the legality and ownership of the buildings and structures on the relevant parcel of land. Subsequent to the obtaining of the relevant consent, we have applied to and received approval from the Urban and Rural Planning Bureau of Zengcheng city, for the conversion of the use of this parcel of land from port to industrial use from a planning perspective, which is a prerequisite for obtaining the relevant updated land use rights certificates from the relevant land resource bureau. In addition, according to the confirmation letter dated March 13, 2013 issued by the Land Resource and Housing Management Bureau of Zengcheng city, the competent authority according to our PRC legal counsel, the relevant conversion does not affect the legality and ownership of the buildings and structures on the relevant parcel of land. As of the Latest Practicable Date, the conversion has not yet been completed, and we expect that the conversion will be completed by the end of 2013, pending the re-issued land use rights certificate to be granted by the Land Resource and Housing Management Bureau of Zengcheng City. As confirmed and advised by our PRC legal counsel, Guangzhou Xintao and Guangzhou Kaizhou can still occupy and use the relevant land before obtaining the re-issued land use rights certificate, and there is no legal impediment in obtaining the approval for the conversion of the use of the relevant parcel of land and receiving the re-issued land use rights certificate.

Leased property interests held by us

As of the Latest Practicable Date, our Group was leasing four properties in Guangzhou, Sichuan province and Hong Kong. Details of the leased property interests are set out below:

Project Company	Description	Use	Gross Floor Area (square meters)	Monthly rent	Lease Expiry Date	Relevant lease agreement(s) properly registered?
Our Company	Lease with Hornbrook Investment Limited located in Room No.1202B, 12th Floor, Empire Centre, No.68 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	Office	94.9	HKD 28,161	March 31, 2014	Yes
Guangyuan Xizhou	Lease with Li Tian Bin located in No. 512, Group 5, Shi Qiao Village, Bao Lun District, Li Zhou, Guangyuan Town	Residential	305	RMB 1,500	July 1, 2014	No ⁽¹⁾
Guangzhou Yinglong	Lease between Shuinan Shareholding Economic Association and Xintang Water of the collectively-owned land located in Changluo Wei, Nanbu Village, Xintang Town, Zengcheng city (the "Master Lease")	Industrial	136,585.3	RMB 1,573 per square meter from March 2012 to May 2013, following which the above amount shall subject to a 10% increase every three years until the rental fees reaches the cap of RMB 2.5 per square meter	September 30, 2028	No ⁽¹⁾⁽²⁾
Guangzhou Xintao	Sub-lease of the Master Lease between Guangzhou Yinglong, Xintang Water and Guangzhou Xintao (the "Sub-Lease") ⁽³⁾	Dormitory	Approximately 2,100	RMB 15,000, subject to a 5% increase every five years	February 28, 2030	No ⁽¹⁾

- (1) Our PRC legal counsel has advised that failure to register the relevant lease agreements does not affect the validity and enforceability of the lease agreements under the relevant PRC laws and regulations.
- (2) The Master Lease has been registered with the Land Resources and Housing Administrative Bureau of Zengcheng city in December 2008. The Sub-Lease has not been registered with the competent authority.
- (3) Our PRC legal counsel has advised that, according to article 212 and article 224 of the Contract Law of PRC, the Sub-Lease is legal and valid. As such, Guangzhou Yinglong has the right to occupy the land for the Yinglong Project under the Sub-Lease.

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Properties occupied by us under concession agreements

For our BOT projects, after we have entered into the relevant concession agreement, we begin applying for the various certificates and permits that we need in order to commence construction of the treatment facilities:

- **construction land use planning permit** (建設用地規劃許可證). A permit authorizing an entity to begin the surveying, planning and design of a parcel of land. It allows the entity to apply for the land use rights certificate;
- **construction work planning permit** (建設工程規劃許可證). A certificate indicating government approval for an entity's overall planning and design of the project. It allows the entity to apply for a commencement of construction work permit; and
- **construction work commencement permit** (建築工程施工許可證). A permit required for the commencement of construction. It allows the entity to apply for the building ownership certificate which is subject to other conditions including passing the acceptance check on completion of construction.

Details of the properties occupied by us under the concession agreements and the material certificates and permits that we obtained are set out below:

Project Company	Description	Use
Guangzhou Haitao	Phase I and II Project Buildings, Yonghe Wastewater Treatment Plant	wastewater plant
Longmen Xilin	Project buildings, Longmen Xilin Water Treatment Plant	wastewater plant
Huaihua Tianyuan	Huaihua Industrial Park Wastewater Treatment Plant	wastewater plant

BOO Projects

As advised by our PRC legal counsel, we have obtained the relevant land use right certificates and building ownership certificates for the properties comprising the Guangzhou Xinzhou Industrial Park Treatment Facility.

Our PRC legal counsel has also confirmed that Guangyuan Xizhou has obtained the relevant land use right certificates for the land on which the Sichuan Guangyuan Industrial Park Treatment Facility is located and that Guangyuan Xizhou can apply for the relevant building ownership certificates upon completion of construction of the Sichuan Guangyuan Industrial Park Treatment Facility.

As advised by our PRC legal counsel, Guangzhou Haitao does not possess the relevant land use right certificates and the building ownership certificates for Yonghe Haitao Treatment Facility (Phase III) and its sludge treatment facility. The local government of Xintang town in Zengcheng City, the competent authority according to our PRC legal counsel, has confirmed in a letter to Guangzhou Haitao on March 28, 2013 (the "March 28 Confirmation") that Yonghe Haitao can use the land on which the Yonghe Haitao Treatment Facility (Phase III) and its sludge treatment facility are located at no additional charge during the concession period of the Yonghe Haitao Treatment Facility (Phase I and Phase II). According to the March 28 Confirmation, Guangzhou Haitao and the local government of Xintang town in Zengcheng City could further negotiate the use of the land upon the expiry of such concession period. As advised by our PRC legal counsel, subject to negotiation with the local government of Xintang town in Zengcheng City, at the end of the concession period of Yonghe Haitao Treatment Facility (Phase I and Phase II), Guangzhou Haitao would have the right to (i) demolish the relevant buildings and structures comprising the Yonghe Haitao Treatment Facility (Phase III) and its sludge treatment facility; (ii) transfer the relevant buildings and structures comprising the Yonghe Haitao Treatment Facility (Phase III) and its sludge treatment facility to the local government of Xintang town in Zengcheng City at an agreed consideration; or (iii) transfer the relevant buildings and structures comprising the Yonghe Haitao Treatment Facility (Phase III) and its sludge treatment facility to the local government of Xintang town in Zengcheng City at nil consideration. Our PRC

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legal counsel also confirmed that as Guangzhou Haitao does not possess the land use right certificates of the land on which the Yonghe Haitao Treatment Facility (Phase III) and its sludge treatment facility are located, according to the relevant PRC laws and regulations, Guangzhou Haitao cannot obtain building ownership certificates for the buildings and structures comprising the Yonghe Haitao Treatment Facility (Phase III) and its sludge treatment facility. On the basis of the March 28 Confirmation and the BOT agreement relating to the Yonghe Haitao Treatment Facility (Phase I and Phase II), our PRC legal counsel has confirmed that Guangzhou Haitao can occupy and use the buildings and structures comprising the Yonghe Haitao Treatment Facility (Phase III) and its sludge treatment facility during the concession period of Yonghe Haitao Treatment Facility (Phase I and Phase II).

According to our PRC legal counsel, Guangzhou Yinglong, our associate company, does not possess the relevant land use right certificates and the building ownership certificates for the Yinglong Project. However, our PRC counsel has advised us that, based on a sub-lease agreement entered into between Guangzhou Yinglong, Xintang Water and Guangzhou Xintao on December 28, 2012 (the "Yinglong Sub-lease Agreement"), Guangzhou Yinglong has the right to occupy the land on which the Yinglong Project is located pursuant to the Yinglong Sub-lease Agreement. As Guangzhou Yinglong does not possess the land use right certificates for the land on which the Yinglong Project is located, according to the relevant PRC laws and regulations, Guangzhou Yinglong cannot obtain the building ownership certificates for the buildings and structures comprising the Yinglong Project. Our PRC legal counsel has advised us that Guangzhou Yinglong can occupy and use the buildings and structures comprising the Yinglong Project for the duration of the Yinglong Sub-lease Agreement according to the Contract Law of the PRC. As advised by our PRC legal counsel, upon expiry of the Yinglong Sub-lease Agreement and subject to negotiation with the owner of the land on which the Yinglong Project is located, Guangzhou Yinglong would have the right to (i) demolish the relevant buildings and structures comprising the Yinglong Project; (ii) enter into a new lease agreement with the owner of the land on which the Yinglong Project is located; (iii) transfer the buildings and structures comprising the Yinglong Project to the owner of the land at an agreed consideration; or (iv) transfer the buildings and structures comprising the Yinglong Project to the owner of the land at nil consideration.

We have obtained written confirmation from the Land Resource and Housing Management Bureau of Zengcheng city, the competent authority according to our PRC legal counsel, confirming that as Guangzhou Haitao and Guangzhou Yinglong could not obtain the relevant land use rights certificates, they cannot apply for the building ownership certificates for the buildings and structures comprising the Yonghe Haitao Treatment Facility (Phase III) together with its sludge treatment facility and the Yinglong Project. Further, as at the date of the confirmation, the Land Resource and Housing Management Bureau of Zengcheng city had not imposed any administrative penalty on Guangzhou Haitao and Guangzhou Yinglong, as it was not aware of any violation of the relevant PRC laws by Guangzhou Haitao and Guangzhou Yinglong.

BOT Projects

As advised by our PRC legal counsel, the project companies of our BOT projects do not possess the land use right certificates of the land on which the relevant BOT projects are located. Further, as the project companies of the BOT projects do not possess the relevant land use right certificates, according to the relevant PRC laws and regulations, they cannot obtain the building ownership certificates as the relevant land use right do not belong to the relevant project companies. However, our PRC counsel has advised us that the relevant BOT project companies can occupy and use the relevant land and the buildings constructed on such land pursuant to the relevant BOT agreements for the duration of relevant BOT agreements.

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According to the relevant BOT agreements, the relevant government authority which is a party to the relevant BOT agreements has the obligation to provide the relevant land for use by the project companies of the relevant BOT projects. As advised by our PRC counsel, according to the relevant BOT agreements, the relevant government authority is under no obligation to register the land use right in the name of the project companies of the relevant BOT projects or to assist the project companies of the relevant BOT projects to obtain the land use right certificates for the relevant land.

Our PRC legal counsel has advised that, pursuant to the respective BOT agreements in respect of the Huaihua Tianyuan Treatment Facility (Phase I), the Yonghe Haitao Treatment Facility (Phase I and Phase II) and the Longment Xilin Treatment Facility, the relevant BOT project companies can occupy and use the relevant land and the buildings constructed on the land on which the relevant BOT projects are located.

The lease agreements for the properties located in the PRC leased by us have not been registered with the competent authority. However, our PRC legal counsel has advised that such failure to register the relevant lease agreements does not affect the validity and enforceability of the lease agreements under the relevant PRC laws and regulations.

LEGAL PROCEEDINGS

During the Track Record Period and as of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that we believe would have a material adverse effect on our financial condition or results of operations. As is common with many companies, from time to time, we may be involved in legal proceedings relating to claims arising out of our operations in the ordinary course of business. For further information, please refer to the section headed “Statutory and General Information — Other Information — Litigation” in Appendix IV to this prospectus.

LEGAL AND REGULATORY COMPLIANCE

The following table sets forth a summary of our past and present material legal and regulatory non-compliance during the Track Record Period (including Guangzhou Yinglong):

Project company involved	Nature of non-compliance	Reasons for non-compliance	Legal implications and/or quantified historical and potential financial impacts	Remedial actions taken	Status as of the Latest Practicable Date
Guangzhou Xintao	Wastewater discharge standard violation and illegal untreated wastewater discharge.	The violation of the wastewater discharge standard and illegal wastewater discharge in 2009 was resulted from a damaged valve in a maintenance pipe, which led to an inadvertent leakage of wastewater.	Fine of approximately RMB352,000	Payment for the fine was made on December 4, 2009 and Guangzhou Xintao rectified the non-compliance by December 1, 2009.	Guangzhou Xintao is operating in compliance with the relevant PRC standards and regulations.
Guangzhou Xintao Longmen Xilin Guangzhou Haitao ⁽¹⁾ Huaihua Tianyuan	Operated wastewater treatment facilities without a Level A Qualification Certificate (before December 2010).	Please refer to the paragraphs headed “Business — Environmental Matters — Qualification certificate for the Operation of Environmental Pollution Treatment Facilities (the “Qualification Certificate”)” in this prospectus.	As advised by our PRC legal counsel, pursuant to Article 29 of the Administrative Punishment Law of the PRC, Guangzhou Xintao, Longmen Xilin, Guangzhou Haitao and Huaihua Tianyuan will not be subject to any administrative penalty since the non-compliance occurred more than 2 years ago.	Guangzhou Xintao obtained the Provisional Level A Qualification Certificate from the relevant authority on December 20, 2010 and entered into entrustment agreements with Guangzhou Haitao, Longmen Xilin and Huaihua Tianyuan on December 22, 2010.	Guangzhou Xintao has received the formal Level A Qualification Certificate which is valid until March 2015 from the relevant authority in respect of municipal and industrial wastewater treatment. As Guangzhou Xintao operated the relevant wastewater treatment facilities on behalf of Longmen Xilin, Guangzhou Haitao and Huaihua Tianyuan pursuant to the various entrustment agreements, Longmen Xilin, Guangzhou Haitao and Huaihua Tianyuan are not required to obtain the Level A Qualification Certificate. No penalty had been imposed on Guangzhou Xintao, Longmen Xilin, Guangzhou Haitao and Huaihua Tianyuan by the relevant authority for operating the wastewater treatment facilities without a Level A Qualification Certificate before December 2010.

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Project company involved	Nature of non-compliance	Reasons for non-compliance	Legal implications and/or potential financial impacts	Remedial actions taken	Status as of the Latest Practicable Date
Guangzhou Yinglong	Operated in buildings without the relevant construction work planning permits and construction work commencement permit	The Yinglong Project had previously been owned and developed by Xintang Water, an independent third party, before being taken over by Guangzhou Yinglong. At the time of the acquisition of the Yinglong Project, the construction of Phase I of the Yinglong Project had already been completed and historically Xintang Water had not complied with certain legal and compliance requirements.	<p>In respect of its failure to obtain the construction work planning permits, Guangzhou Yinglong may be subject to an order by the relevant authority (i) to demolish or to vacate the relevant buildings, or (ii) to rectify the non-compliance within a given period and to pay a fine of not less than 5% but not more than 10% of the consideration stipulated under the construction agreement, and, according to our Directors, the maximum amount of such fine is approximately RMB19.6 million.</p> <p>In respect of its failure to obtain the construction work commencement permit, Guangzhou Yinglong may be subject to an order by the relevant authority (i) to stop construction, or (ii) to rectify the non-compliance within a given period and to pay a fine of not less than 1% but not more than 2% of the amount of the consideration stipulated under the construction agreement, and, according to our Directors, the maximum amount of such fine is approximately RMB3.9 million.</p>	<p>We have obtained a written confirmation from the Urban-rural Planning Bureau of Zengcheng city, which, according to our PRC legal counsel, is the competent authority, that the lack of the construction work planning permits do not affect the planning of the facilities comprising the Yinglong Project and no fine will be imposed by the Urban-rural Planning Bureau of Zengcheng city on Guangzhou Yinglong. Guangzhou Yinglong submitted a formal application for the construction work planning permits to the Urban-rural Planning Bureau of Zengcheng City in April 2013.</p> <p>We have obtained a written confirmation from the Water Resource Bureau of Zengcheng city, which, as advised by our PRC legal counsel, is the competent authority, that the lack of the relevant construction work commencement permit does not affect the operation of the facilities comprising the Yinglong Project and no fine will be imposed by the Water Resource Bureau of Zengcheng city against Guangzhou Yinglong.⁽²⁾</p> <p>According to our PRC legal counsel, any other governmental authority from Guangdong provincial level is not the competent authority to issue construction work planning permit and construction work commencement permit, and therefore not in a position to issue the aforementioned written confirmations.</p>	Guangzhou Yinglong received the construction work planning permits on June 4, 2013. The relevant governmental authorities are aware of the non-compliance by Guangzhou Yinglong. No order or penalty had been imposed on Guangzhou Yinglong by the relevant governmental authorities.

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Project company involved	Nature of non-compliance	Reasons for non-compliance	Legal implications and/or potential financial impacts	Remedial actions taken	Status as of the Latest Practicable Date
Guangzhou Yinglong	<p>The wastewater treatment facility of the Yinglong Project had not passed checking and acceptance within three months after the commencement of trial operation.</p>	<p>After taking over the Yinglong Project on March 1, 2012, Guangzhou Yinglong conducted a thorough inspection of the wastewater treatment facility and carried out a series of improvement works to the Yinglong Project. Guangzhou Yinglong did not apply for checking and acceptance because the Yinglong Project was not able to meet certain technical requirements for passing the checking and acceptance (including the installation of deodorisation facilities etc.). As such, the wastewater treatment facility of the Yinglong Project did not pass the checking and acceptance within three months after the commencement of trial operation and there is a delay in applying for checking and acceptance until after those technical requirements are met.</p>	<p>Guangzhou Yinglong may be imposed a deadline before which the checking and acceptance must be completed, or an order to terminate the trial operation or a fine of up to RMB50,000.</p>	<p>Guangzhou Yinglong has submitted a formal application to the Ministry of Environmental Protection before July 24, 2013.⁽³⁾</p>	<p>The relevant governmental authorities are aware of the non-compliance by Guangzhou Yinglong. No deadline or order to terminate the trial operation or penalty had been imposed on Guangzhou Yinglong by the relevant governmental authorities. On July 24, 2013, the Ministry of Environmental Protection accepted the application for checking and acceptance by Guangzhou Yinglong, and assigned South China Environmental Protection Supervision Center to conduct a site inspection as part of the checking and acceptance process.</p>
		<p>Despite the non-compliance, Guangzhou Yinglong did not cease operation immediately after the non-compliance was identified by our Group but continued its operation due to practical considerations as the trial operation of the Yinglong Project had already commenced before the acquisition of the Yinglong Project by Guangzhou Yinglong. Moreover, we believe that the Yinglong Project and the wastewater treatment facility operated thereunder were essential for the operation of the Xintang Environmental Protection Industrial Park.</p> <p>We believed that if Guangzhou Yinglong had ceased its operation and wastewater treatment services, it would have led to production halt to the businesses within the industrial park and potentially adverse economic and environmental consequences to the vicinity of the industrial park.</p> <p>Therefore, Guangzhou Yinglong decided that it would continue its operation while it is preparing for the application for the checking and acceptance of the wastewater treatment facility of the Yinglong Project and while such application is being processed.</p>			

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Project company involved	Nature of non-compliance	Reasons for non-compliance	Legal implications and/or potential financial impacts	Remedial actions taken	Status as of the Latest Practicable Date
Longmen Xilin	<p>The level of coliform bacteria count of wastewater sample collected pursuant to a site inspection conducted in December 2011 by the Guangdong Provincial Environmental Monitoring Center exceeded the level prescribed under the relevant laws and regulations.</p>	<p>The excessive level of coliform bacteria count was attributable to the particular timing of the single instantaneous sampling conducted by the Guangdong Provincial Environmental Monitoring Center, the methodology of which, in our opinion, differs from the applicable national standard, whereby the maximum permissible level of coliform bacteria count is an average number based on the results taken from a sampling frequency of at least once in every two hours within a period of twenty-four hours. We have submitted a written explanation to the Longmen County Environmental Protection Bureau which, according to our understanding, subsequently forwarded the written explanation to the Guangzhou Provincial Environmental Protection Department. The written explanation, among others, explained Longmen Xilin's position that the sampling should have been conducted in accordance with the applicable national standard. We understand that the Guangdong Provincial Environmental Protection Department was aware that the Guangdong Provincial Environmental Monitoring Center had adopted a sampling methodology different from the applicable national standard. However, we did not directly challenge the Guangdong Provincial Environmental Monitoring Centre against the validity of its findings because (i) no penalty would be imposed on entities being named a "yellow card enterprise" under the relevant PRC laws and regulations; and (ii) we would like to maintain a good relationship with the Guangdong Provincial Environmental Monitoring Center. Our PRC legal counsel has advised that no local standard is available in Guangdong Province in relation to the discharge of coliform bacteria and the testing of the level of coliform bacteria count for municipal wastewater treatment plants.</p>	<p>As confirmed by our PRC legal counsel, (i) Longmen Xilin was listed as a "yellow card enterprise", which is now subject to more strict and frequent site inspections by the competent authorities of environmental protection at all levels of Guangdong province; and (ii) the relevant PRC laws and regulations do not impose any penalty on entities being named a "yellow card enterprise".</p>	<p>A team of experts and technicians engaged by Longmen Xilin conducted a thorough review of the operational records of Longmen Xilin in respect of its equipment and facilities for the period from January 2011 to March 2012. Further, Longmen Xilin conducted enhancement work in May 2012 to the ultraviolet disinfection system, which, after the improvement, sterilizes wastewater more effectively, and commenced its operation in the same month. It subsequently upgraded such system in October 2012 and April 2013. The total cost expended on installing and upgrading the improved ultraviolet disinfection system amounted to approximately RMB40,000. Upon successful implementation of various measures, our Directors are of the view that the coliform bacteria count in the post-treated wastewater of the Longmen Xilin Treatment Facility has been lower than that prescribed in the applicable national standard, pursuant to multiple samplings and testings conducted in 2012.</p>	<p>On July 15, 2013, the Guangdong Provincial Environmental Protection Department, the competent authority in charge of the credit rating review according to our PRC counsel, published on its website the result of the 2012 annual credit rating review, according to which Longmen Xilin was listed as a "green card enterprise".</p>

- (1) The relevant regulations do not explicitly require a Qualification Certificate to be obtained for trial operations. Guangzhou Haitao had been in trial operations before entering into the entrustment agreement with Guangzhou Xintao on December 22, 2010. Guangzhou Haitao has been included in this table for completeness, in order to show the maximum potential financial impact on our Group.
- (2) During the period between the tendering process and bidding process for the Yinglong Project, we and the other shareholders of Guangzhou Yinglong acquired a better understanding of the operation and management of the Yinglong Project. During the same period, we became aware that Guangzhou Yinglong had been operating in buildings without the relevant construction work planning permits and construction work commencement permit. As we had no control over the operation of Guangzhou Yinglong before the initial running-in period, we could not rectify the relevant non-compliance in respect of the Yinglong Project at that time. We started taking remedial actions as soon as practicable after our acquisition of the Yinglong Project on March 1, 2012. After several months of system integration and improvement, in September 2012, Guangzhou Yinglong prepared for the application for the construction work planning permits and engaged a third-party consultant, Guangzhou Heli Real Estate Agent Co., Ltd. (廣州市合利房地產中介有限公司) for such purpose. Guangzhou Yinglong submitted a formal application for the construction work planning permits to the Urban-rural Planning Bureau of Zengcheng City, the competent authority according to our PRC legal counsel, in April 2013 and received the construction work planning permits on June 4, 2013. We have also obtained confirmation letters issued by the Water Resource Bureau of Zengcheng city and the Urban-rural Planning Bureau of Zengcheng city, which are the competent authorities according to our PRC legal counsel, confirming that they will not impose any fine or penalty on Guangzhou Yinglong for the historical non-compliance as a result of operating in buildings without the relevant construction work planning permits and construction work commencement form for water resource projects. Before our acquisition of the Yinglong Project, the Water Resource Bureau of Zengcheng city became aware that Guangzhou Yinglong operated in buildings without the construction work commencement form for water resource projects and the Urban-rural Planning Bureau of Zengcheng city became aware that Guangzhou Yinglong operated in buildings without the construction work planning permits. We have obtained written confirmation from the Water Resource Bureau of Zengcheng city that it is not necessary for Guangzhou Yinglong to apply for a construction work commencement permit for the construction of the buildings and structures of the Yinglong Project because Guangzhou Yinglong was not the entity which commenced the construction of the buildings on which the Yinglong Project is located and that such buildings were already erected at the time of its acquisition of the Yinglong Project. In light of the above, our Directors are of the view that the non-compliance of Guangzhou Yinglong was resulted from the previous operation and management of the Yinglong Project by a third party in which we were not involved, and was not resulted from our internal control deficiency. Our Directors are of the view that, in the context of Guangzhou Yinglong, the non-compliance of the Yinglong Project was an isolated and a one-off event. Despite the lack of the relevant construction work planning permits and construction work commencement permit, the Water Resource Bureau of Zengcheng has inspected the buildings and structures comprising the Yinglong Project and it did not note any irregularity with respect to the quality and safety of such buildings and structures.
- (3) In September 2012, Guangzhou Yinglong engaged Beijing Larkworld Environment Technology Co., Ltd. (北京百靈天地環保科技有限公司) (“Beijing Larkworld”), an independent third party, to provide technical consulting services, aiming to identify any deficiencies hindering Guangzhou Yinglong from complying with the relevant laws and regulations governing checking and acceptance. In the same month, Beijing Larkworld made a pre-application submission to the China National Environmental Monitoring Center (中國環境監測總站), an independent third party engaged by the relevant governmental authority, which is responsible for providing technical support, technical supervision and technical services to the Ministry of Environmental Protection in implementing supervision and management on environmental protection. In November 2012, the Guangdong Provincial Environmental Monitoring Center conducted a site visit at the location of the Yinglong Project. In March 2013, the China National Environmental Monitoring Centre issued a report (the “Monitoring Report”) stating that Guangzhou Yinglong should step up its efforts in monitoring (i) the level of certain pollutants in its wastewater treatment plant, and (ii) the odor level at the emission outlets of the wastewater treatment plant after the installation of deodorization facilities. Subsequently, Guangzhou Yinglong has installed devices to monitor the level of pollutants and odor level in accordance with the report issued by the China National Environmental Monitoring Center. The Guangdong Provincial National Environmental Monitoring Centre delegated Guangzhou Zhongjia Environmental Assessment and Testing Technology Co., Ltd. (廣州市中加環境檢測技術有限公司) (“Guangzhou Zhongjia”) to conduct sampling and testing of the Yinglong Project in May 2013. According to the assessment report dated May 17, 2013 issued by Guangzhou Zhongjia, a total of eight air samples were collected from May 15, 2013 to May 16, 2013 and, as confirmed by Guangzhou Zhongjia, the testing results of such samples show that the odor level of the samples is within the range of the relevant prescribed standards.

According to a letter dated August 30, 2011 from the Ministry of Environmental Protection to Xintang Water (the "Order Letter"), which previously owned the Yinglong Project, Xintang Water was ordered to engage an environment monitoring institution and submit an application for the checking and acceptance to the Ministry of Environmental Protection as soon as possible. Before our acquisition of the Yinglong Project, as part of our due diligence on the Yinglong Project, we had considered the Order Letter and had consulted an official of Environmental Monitoring Bureau of the Guangdong Provincial Environmental Protection Department, the competent authority according to our PRC legal counsel, who told us that the application for the necessary checking and acceptance for the Yinglong Project should be made as soon as possible following the acquisition. Following the aforementioned due diligence on the Yinglong Project, our Directors were of the view that the relevant governmental authority did not object to the continuing operation of the Yinglong Project as it has not imposed any deadline, ordered any termination or imposed any fine on Guangzhou Yinglong and we could assist Guangzhou Yinglong to apply for and complete the checking and acceptance, capitalizing on our expertise and industry experience after the acquisition. After the acquisition of the Yinglong Project by Guangzhou Yinglong on March 1, 2012, Guangzhou Yinglong engaged Beijing Larkworld to assist its preparation for submitting the application of checking and acceptance to the Ministry of Environmental Protection, and the progress of preparing the application after the engagement of Beijing Larkworld is further described above. Our Directors understand that (i) the China National Environmental Monitoring Centre issued its final assessment report in relation to the checking procedure in June 2013; (ii) the Environmental Monitoring Bureau of the Guangdong Provincial Environmental Protection Department has been made aware that Guangzhou Yinglong had undertaken the necessary preparatory work with a view to submitting the formal application for checking and acceptance for the Yinglong Project to the Ministry of Environmental Protection by the end of July 2013; (iii) on July 24, 2013, the Ministry of Environmental Protection accepted the application for checking and acceptance, and assigned South China Environmental Protection Supervision Centre to conduct a site inspection as part of the checking and acceptance process; and (iv) Guangzhou Zhongjia has completed the relevant steps under the checking procedure and it did not note any further irregularity. As of the Latest Practicable Date, our Directors confirmed that (i) the relevant governmental authority have not imposed any deadline, ordered any termination or imposed any fine on Guangzhou Yinglong; and (ii) were of the view that there are no impediments to prevent Guangzhou Yinglong from passing the checking and acceptance in light of the steps taken in response to the Monitoring Report.

Our PRC legal counsel has advised that, in respect of the late applications for checking and acceptance by Guangzhou Yinglong, the relevant PRC laws and regulations do not prejudice the relevant construction project from passing the relevant checking and acceptance on the ground of late application and that there are no legal impediments to the passing of checking and acceptance by Guangzhou Yinglong, provided that the relevant environmental protection requirements for the checking and acceptance are satisfied. Our PRC legal counsel further advised that the risk of cessation of operation or imposition of penalty is low as (i) the relevant authority is aware of such non-compliance before we acquired an interest in Guangzhou Yinglong; (ii) the cessation would cause production halt to the businesses within the Xintang Environmental Protection Industrial Park, or will otherwise have a material adverse impact on the environment; (iii) Guangzhou Zhongjia has completed the relevant steps under the checking procedure and no irregularity was noted; (iv) the China National Environmental Monitoring Center issued its final assessment report in relation to the checking procedure in June 2013; and (v) the application submitted by Guangzhou Yinglong to the Ministry of Environmental Protection was accepted on July 24, 2013.

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Our PRC legal counsel has advised that, as of the Latest Practicable Date, save as disclosed in this section, we had obtained all the material environmental licenses and certificates for each of our projects based on their respective stages of development. Our PRC legal counsel has confirmed that save as disclosed in this section, we had obtained all the material licenses, certificates and permits from appropriate regulatory authorities for our business operations in the PRC.

The Controlling Shareholders have agreed to indemnify us for all the losses and damages suffered by us as a result of our failure to have obtained, or our failure to obtain or maintain, any approvals, permits, licenses and certificates required for our operations.

In relation to certain BOT projects operated by Guangzhou Haitao, Longmen Xilin and Huaihua Tianyuan, including the Yonghe Haitao Treatment Facility, Longmen Xilin Treatment Facility and Huaihua Tianyuan Treatment Facility respectively, the project companies do not own the building ownership certificates for the buildings and structures constructed within the respective wastewater treatment plants. As advised by our PRC legal counsel, the project companies are not required to obtain building ownership certificates in order to use and occupy the project buildings and structures and the project companies do not violate the relevant PRC laws and regulations.

No provision for the penalty arising from any non-compliance incident was made as we have assessed all the available evidences as disclosed above and concluded that it is not probable that an outflow of resources embodying economic benefits will be required in connection with the non-compliance incidents as set above.

To ensure compliance with the applicable PRC laws and regulations, we have engaged an external legal adviser since November 2010 for a period of five years. Where appropriate and necessary, such external legal adviser will provide us with legal advice relating to the legal and regulatory requirements in connection with our operations and other matters arising in the ordinary course of business. To further ensure such compliance, we have also implemented legal education programs for our management personnel covering, in particular, environmental laws and regulations. Additionally, we have improved the central real-time monitoring systems for our facilities and technical training programs for our Directors and employees. Our employees are expected to attend our technical training programs at least once every year and we plan to provide additional technical training to them as and when necessary to address specific business needs. Our technical training programs are not mandatory for our Directors but they are nevertheless encouraged to attend.

In order to prevent recurrence of non-compliances and ensure on-going compliance with the applicable laws and regulations, our Directors have discussed internally and met with the relevant staff members to identify the causes leading to the non-compliance incidents. Further, our Directors have sought advice from our external legal adviser which is engaged to provide us with legal advice relating to the legal and regulatory requirements in connection with our operations and other matters arising from our ordinary course of business. We also engaged RSM, an independent third party, as the internal control consultant to execute an agreed set of review procedures on the financial procedures, systems and controls (including accounting and management systems) on March 18, 2013. The scope of the engagement included the review and assessment of the adequacy of our internal control system relating to legal and regulatory compliance. According to the internal control report, there is no material internal control deficiency identified. In particular, internal control measures relating to legal and regulatory compliance are sufficiently in place. Further, our internal control consultant has not identified any particular internal control deficiency in our operation of the Yinglong Project or the Longmen Xilin Treatment Facility.

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To ensure our on-going compliance with the relevant PRC environmental protection laws and regulations, we have enhanced our internal control measures as follows:

- performing more frequent periodic checks on a daily basis, as overseen by Mr. Zhao Ke Yin, our chief engineer, on the ultra-violet disinfection system at the Longmen Xilin Treatment Facility and the deodorization equipment of the Yinglong Project to ensure that they are operating effectively and efficiently;
- performing more frequent tests on a monthly basis, as overseen by Mr. Zhao Ke Yin, our chief engineer, on the quality of the wastewater to ensure the coliform bacteria count contained therein falls within the acceptable level;
- keeping abreast of the latest environmental protection regulatory developments to ensure that we comply with the latest relevant PRC environmental protection laws and regulations; and
- tracking and posting the operational control statistics of the deodorization equipment of the Yinglong Project so that our employees could monitor whether the wastewater treatment facility is operating at the desired level.

Our internal control consultant has provided recommendations for improvements supplementary to the existing internal control measures and we have commenced the implementation of the improvements suggested by the internal control consultant. These recommended improvements included the following:

- maintaining a proper attendance record for all training programs so that our Company could ensure that all the relevant personnel has received the training designed for them;
- formulating a checklist setting out all the relevant documentation, approvals and permits required to be obtained for each project; and
- appointing Mr. Huang Xiao Fei as our compliance officer to regularly review all the approvals, permits and licenses held by our Group (i) to assess whether our Group has obtained all the requisite approvals, permits and licenses before the commencement of each new project, and (ii) to review every six months whether our Group is in compliance with all the relevant PRC laws and regulations. Mr. Huang passed the PRC National Bar Examination, and was awarded the Legal Professional Qualification Certificate in March 2012. He graduated with a bachelor's degree in laws from the China Southwestern University of Political Science and Law in 2005. Prior to joining us as a compliance officer, Mr. Huang worked as a legal officer in Guangzhou To Kee between 2008 and 2011, responsible for corporate legal affairs, including drafting and negotiating commercial contracts, and reviewing the PRC laws and regulations.

We started implementing our internal control consultant's recommendations to improve the internal control measures in April 2013. As of the Latest Practicable Date, we had completed the implementation of all the improvements to our internal control measures according to our internal control consultant's recommendations.

We will also maintain regular communications with all relevant members of staff, our external legal adviser and our internal control consultant to review our internal operational procedures to ensure compliance with all applicable laws and regulations. We will disclose the progress of rectification of the relevant non-compliance in our annual and interim reports after Listing.

In addition, we have also appointed Somerley Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

Our Directors are of the view that the non-compliance of Guangzhou Yinglong was an isolated and a one-off event as we have obtained the relevant permits and forms before the commencement of construction, or the commencement of construction was otherwise carried out in accordance with the

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“green channel management policy”, promulgated by the local government of Zengcheng city. The “green channel management policy” facilitates the construction of key investment projects selected by the local government and allows the relevant construction work and approval procedures for the relevant permits and forms to be progressed at the same time, for all of our other wastewater treatment facilities.

In light of the above, taking into account the existing internal control measures and after implementing those recommended by our internal control consultant, and based on the opinion of our internal control consultant and external legal adviser, our Directors are of the view that our internal control measures to prevent recurrence of non-compliances and to ensure on-going compliance with the applicable laws and regulations are effective.

Notwithstanding the occurrence of the non-compliance incidents as disclosed in the section headed “Business — Legal and Regulatory Compliance” in this prospectus, based on the due diligence conducted by the Sole Sponsor and on the basis of the following:

- the circumstances of the non-compliance incidents as disclosed in the section headed “Business — Legal and Regulatory Compliance” in this prospectus and that remedial actions have been taken;
- the view of our Directors that the non-compliance of Guangzhou Yinglong was an isolated and a one-off event as we have obtained the relevant permits and forms prior to the commencement of construction, or the commencement of construction was otherwise carried out in accordance with the “green channel management policy” for all of our other wastewater treatment facilities; and
- the view of our Directors that there is no material deficiency in our internal control system, as confirmed by RSM that no material internal control deficiency was identified during the internal controls review performed by RSM, and that we have completed the implementation of all the recommended improvements supplementary to the existing internal control measures as set out above;

nothing has come to the attention of the Sole Sponsor that would cast doubt on the adequacy and effectiveness of our internal control measures to prevent recurrence of non-compliance and to ensure on-going compliance with applicable laws and regulations.

Based on the due diligence conducted by the Sole Sponsor in relation to each Director and on the basis of the following:

- having regard to the reasons for non-compliance as disclosed in the section headed “Business — Legal and Regulatory Compliance” in this prospectus, the non-compliance incidents were not resulted from any lack of experience or integrity of our Directors or any internal control deficiency of our Group;
- the view of our Directors that the non-compliance of Guangzhou Yinglong was resulted from the previous operation and management of the Yinglong Project by a third party in which we were not involved and was not resulted from any internal control deficiency of our Group and that it was an isolated and a one-off event, as we have obtained the relevant permits and forms prior to the commencement of construction, or the commencement of construction was otherwise carried out in accordance with the “green channel management policy” for all of our other wastewater treatment facilities; and
- Mr. Tsui Cham To and Mr. Xu Shu Biao, our executive Directors, have approximately 10 years of experience in the wastewater treatment and industrial water supply services industry and our management team, which we believe demonstrated a loyal, continuing and enthusiastic commitment to our Company, is supported by a skilled work force;

the Sole Sponsor is of the view that our Directors are of the character, competence and integrity as directors of our Company and are able to fulfil their fiduciary duties and duties of skill, care and diligence in accordance with Rules 3.08 and 3.09 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Upon completion of the Global Offering, Mr. Tsui will own 98% of Keen Vast, which will in turn be interested in 64.5% of our issued share capital taking no account into Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme. Mr. Tsui and Keen Vast will be our Controlling Shareholders. Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective associates (other than our Group) upon Listing for the following reasons:

Delineation of Businesses

Other than our business, Mr. Tsui controls Hong Kong To Kee, which is engaged in investment businesses, does not compete directly or indirectly with our business. On January 29, 2011, Hong Kong To Kee, then owned by Mr. Tsui as to 50% and his spouse as to 50%, entered into a cooperation agreement (the “Original Guangyuan Agreement”) with Xi Zhou Enterprises in respect of the development of the Sichuan Guangyuan Industrial Park. Pursuant to the terms of the Original Guangyuan Agreement, Xi Zhou Enterprises will take over the rights and obligations of Hong Kong To Kee on the management of the industrial park with the cooperation of Hong Kong To Kee. Hong Kong To Kee will only be responsible for the liaison with the local government and will not share in the profits or contribute any capital for the development, and Xi Zhou Enterprises will be responsible for the contribution of the capital required for the development of the industrial park, and managing its construction and development. Hong Kong To Kee has entered into the development agreement for the Guangyuan textile industrial park due to its relationships with the local government authorities and is not engaged in wastewater treatment services. Hong Kong To Kee is owned by Mr. Tsui as to 99.99% and his spouse as to 0.01%. Our Directors confirm that the companies controlled by Mr. Tsui are not engaged in businesses that compete with us.

On March 29, 2011, Hong Kong To Kee and Xi Zhou Enterprises entered into an agreement (the “New Guangyuan Agreement”) with, among others, the Sichuan Guangyuan Municipal Government and the Guangyuan Lizhou District Government. Pursuant to the New Guangyuan Agreement, we will develop wastewater treatment and industrial water supply facilities in Guangyuan’s textile industrial park. On April 28, 2011, Xi Zhou Enterprises and Hong Kong To Kee entered into a termination agreement, pursuant to which the Original Guangyuan Agreement was replaced and substituted by the New Guangyuan Agreement.

The other companies controlled by Mr. Tsui were not injected into our Group as part of our Reorganization, as the businesses conducted by such companies do not form part of our core business and are not in line with our focus as being a leading wastewater treatment services company.

Independent Business Operations

Our Company holds the relevant licences that are material to our business operations and we have such operation capacity of our own whether in terms of capital, equipment or employees, or customers and suppliers, which allow us to operate our businesses independently.

None of our Directors and our Controlling Shareholders has any interest in a business which competes or is likely to compete, whether directly or indirectly with our Company’s business.

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. During the Track Record Period, there were amounts due to us from the companies controlled by Mr. Tsui.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, there are no loans or guarantees provided by the Controlling Shareholders or their associates to us or for our benefit, and there are no loans or guarantees provided by us to the Controlling Shareholders or their associates. Therefore, there is no financial dependence on the Controlling Shareholders or their associates.

Management Independence

The Board currently comprises five executive Directors and three independent non-executive Directors. The day-to-day management of our Company is delegated to a team of executive Directors and senior management, who are responsible for the management and the decision-making process of our Company.

Mr. Tsui, our chairman and executive Director, is also a director of Hong Kong To Kee, which is owned as to 99.99% by Mr. Tsui and 0.01% by his spouse. Except for the business relationships as disclosed in “Risk Factors” section in this prospectus, there is no management dependence between our Group and Hong Kong To Kee.

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders and their respective associates (other than our Group) after our Company is listed on the Stock Exchange.

NON-COMPETITION UNDERTAKINGS

In order to eliminate any existing or future competition with us, each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that it/he/she will not, and will procure its/his/her associates (other than members of our Group) not to, engage in any business involving the development of wastewater treatment facilities and the provision of wastewater treatment and industrial water supply services, including (without limitation) the following activities:

- acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, wastewater treatment facilities development business or related investments;
- engaging, having a right or in any way having an economic interest, in the promotion or development of or investment in wastewater treatment facilities development business; or
- acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the matters set out in the two paragraphs above; except for acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in the three paragraphs above so long as their aggregate interest in any such entity is less than 5% of its equity interest and as long as they do not control the board of such entity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their associates cease to hold, whether directly or indirectly, any of our Shares.

The Deed of Non-Competition also provides that:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that it/he will, and will procure its/his associates to use its/his best endeavors to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

CONNECTED TRANSACTION

OVERVIEW

We have entered into a number of agreements with the associates of Mr. Tsui, a Director and a substantial shareholder in our Company, in respect of the provision of wastewater treatment services to such associates of Mr. Tsui. As Mr. Tsui is a connected person of our Company, such transactions will constitute continuing connected transactions for our Company under the Listing Rules upon Listing.

Details of the continuing connected transactions of our Company upon the Listing are as follows:

CONTINUING CONNECTED TRANSACTIONS WHICH ARE SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT ARE EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Provision of Wastewater Treatment Services

Guangzhou Haitao has been providing wastewater treatment services to Tian Tian as part of its ordinary and usual course of business. As Tian Tian is a sino-foreign cooperative joint venture of which the capital is wholly contributed by Hong Kong To Kee, which is a company controlled by Mr. Tsui and his family, a Director and a substantial shareholder of our Company, our provision of the wastewater treatment services to Tian Tian will constitute a continuing connected transaction for our Company upon Listing.

Guangzhou Haitao only commenced its operation in July 2010. The amount of wastewater discharged by Tian Tian during each of the financial years ended December 31, 2010, 2011 and 2012, and the four months ended April 30, 2013, amounted to 129,170 m³, 213,055 m³, 183,485 m³ and 61,430 m³, respectively. The wastewater treatment services provided by us to Tian Tian for each of the financial years ended December 31, 2010, 2011 and 2012, and the four months ended April 30, 2013, amounted to approximately HK\$3.41 million, HK\$5.92 million, HK\$5.19 million and HK\$1.75 million, respectively.

On September 4, 2013, Guangzhou Haitao entered into a master wastewater treatment agreement (the "Tian Tian Agreement") with Tian Tian pursuant to which it agreed to provide wastewater treatment services to Tian Tian for a term of three years subject to an annual cap not exceeding HK\$5,797,000, HK\$6,208,000 and HK\$6,926,000 for each of the three financial years ending December 31, 2013, 2014 and 2015, respectively. The annual caps were based on the projected demand of wastewater treatment services by Tian Tian, which amounted to approximately 192,660 m³, 202,296 m³ and 212,412 m³ for each of the three financial years ending December 31, 2013, 2014 and 2015, respectively, and such projected demand are estimated based on historical volumes with a 5% increase each year, with reference to the market rates for wastewater treatment services of a similar nature that were provided to independent third parties by independent providers of similar services during the Track Record Period.

Given that the wastewater treatment services are being provided based on prevailing market rates, our Directors (including our independent non-executive Directors) consider that the Tian Tian Agreement was entered into on normal commercial terms and is fair and reasonable to our Company and the shareholders as a whole. As the applicable ratios (other than the profits ratio) are on an annual basis more than 0.1% but do not exceed 5%, the transactions under the Tian Tian Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

CONFIRMATIONS

Directors' Confirmation

Our Directors (including the independent non-executive Directors) confirmed that the non-exempt continuing connected transactions under the Tian Tian Agreement have been entered into in the ordinary and usual course of business of our Company, were conducted on normal commercial terms, and are fair and reasonable to our Group and in the interests of our Company and the Shareholders as a whole. Our Directors (including the independent non-executive Directors) further confirmed that the proposed annual caps in respect of all the non-exempt continuing connected transactions are fair and reasonable and are in the interests of the Shareholders as a whole.

Sole Sponsor's Confirmation

We understand that the Sole Sponsor is of the opinion that, after review of the relevant documentation and historical figures provided by us, the non-exempt continuing connected transaction, has been entered into in the ordinary and usual course of business of our Company, on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole, and the annual caps are fair and reasonable.

WAIVER FROM THE STOCK EXCHANGE

On the basis of the above, our Company has applied to the Stock Exchange for a waiver under Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirement in respect of the non-exempt continuing connected transactions of our Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into service contracts with each of our executive Directors. We have also entered into letters of appointment with each of our independent non-executive Directors.

The following table sets forth certain information in respect of our Directors.

Name	Age	Position	Roles/Responsibilities	Relationship
Mr. TSUI Cham To (徐湛滔)	46	executive Director and chairman	Business development, marketing and strategic formulation	Brother of Mr. Xu Zi Tao and cousin of Mr. Xu Ju Wen
Mr. LU Yili (盧已立)	38	executive Director and managing director	External financing, business development, asset restructuring and investor relations	—
Mr. XU Ju Wen (徐炬文)	38	executive Director and vice president	Business development, marketing, strategic formulation and inter-departmental coordination	Cousin of Mr. Tsui Cham To and Mr. Xu Zi Tao
Mr. XU Shu Biao (徐樹標)	47	executive Director and chief operating officer	Project operation, project implementation and staff recruitment	—
Mr. XU Zi Tao (徐子滔)	43	executive Director	Safety compliance and public service works	Brother of Mr. Tsui Cham To and cousin of Mr. Xu Ju Wen
Mr. XU Zhen Cheng (許振成)	60	independent non-executive Director	Performing roles as a non-executive Director	—
Mr. LIU Yung Chau (廖榕就)	59	independent non-executive Director	Performing roles as a non-executive Director	—
Mr. LAM Ka Wai, Graham (林家威) .	45	independent non-executive Director	Performing roles as a non-executive Director	—

Executive Directors

Mr. TSUI Cham To (徐湛滔), aged 46, is one of the founders of our Group, and chairman and executive Director of our Company. He was appointed as an executive Director on November 30, 2010. He is a brother of Mr. Xu Zi Tao and is a cousin of Mr. Xu Ju Wen. Mr. Tsui is mainly responsible for all major affairs of our Group, including business development, marketing and strategic formulation. Mr. Tsui has approximately 10 years of experience in the wastewater treatment and industrial water supply industry. He is the founder, and currently the chairman, of Hong Kong To Kee and Guangzhou To Kee. Mr. Tsui was the vice president of the Guangdong Foundation for Justice and Courage (廣東省治安基金會). From April 2000 to March 2001 and April 2002 to March 2006, Mr. Tsui was a director of Hong Kong Yan Chai Hospital. Mr. Tsui was also an adviser to the Board of

DIRECTORS AND SENIOR MANAGEMENT

Directors of the Scientific Decision and Promotion Association of Guangdong Province Village and Town Heads in 2004. Mr. Tsui was appointed the chair professor at Faculty of Management of Shenzhen University. Furthermore, Mr. Tsui was the vice president of the Guangzhou Overseas Chinese Chamber of Commerce in 2006 as well as the vice president of the 10th, 11th and 12th Zengcheng Federation of Commerce and Industry (增城市工商業聯合會(總商會)). He was a member of the Standing Committee of the 6th, 7th and 8th sessions of Zengcheng City Chinese People's Political Consultative Conference (增城市第六、七、八屆中國人民政治協商會議增城市委員會常委) and was named an excellent member (優秀委員) in the sessions of 2007 and 2010, respectively. He was also a member of the Standing Committee of the 9th session of the Huizhou City Chinese People's Political Consultative Conference (政協惠州市第九屆委員會會員). In addition, Mr. Tsui was an honorary citizen of the Guangzhou Municipality and Huizhou Municipality as well as the honorary chairman of the 8th Committee of the Federation of the Zengcheng City Returned Chinese (增城市歸國華僑聯合會). Mr. Tsui completed his secondary education at Zengcheng Xintang Secondary School (增城市新塘中學) in 1981. As of the Latest Practicable Date, Mr. Tsui did not hold directorship in other listed public companies in the past three years.

Mr. LU Yili (盧已立), aged 38, is an executive Director and managing director of our Company. He joined us in June, 2010 and was appointed as an executive Director on January 12, 2011. Mr. Lu is mainly responsible for overseeing our Group's external financing issues, dealing with potential investors as well as development of our business and asset restructuring program. Mr. Lu also has experience in corporate investment and business finance and has involved in the listing of Chinese companies on an overseas stock exchange. He also has three years of experience in the wastewater treatment industry. From 1997 to 2009, Mr. Lu served as a member of the management of various Singapore private companies, responsible for venture capital investments and consultancy on initial public offerings in China. Mr. Lu received a bachelor's degree in science majoring in chemistry at the National University of Singapore in 1997. As of the Latest Practicable Date, Mr. Lu did not hold directorship in other listed public companies in the past three years.

Mr. XU Ju Wen (徐炬文), aged 38, is an executive Director and vice president of our Group. He joined us in September, 2003 and has served as an executive Director since January 12, 2011. Mr. Xu is a cousin of Mr. Tsui and Mr. Xu Zi Tao. Mr. Xu is mainly responsible for all major affairs of our Group, including business development, marketing, strategic formulation and inter-departmental coordination. From 2001 to 2005, Mr. Xu has been the assistant general manager of Guangzhou To Kee, where he oversaw its general operation. From 2005 to 2007, Mr. Xu was the general manager of Guangzhou Zhugang Pier Company Limited (廣州珠鋼碼頭有限公司), a private company in the PRC, and from 2009 to 2011, Mr. Xu has been its executive director. In 2010, Mr. Xu obtained a bachelor's degree in accountancy from Open University of China (中央廣播電視大學). As of the Latest Practicable Date, Mr. Xu did not hold directorship in other listed public companies in the past three years.

Mr. XU Shu Biao (徐樹標), aged 47, is one of the founders of Xi Zhou Enterprises and an executive Director. He was appointed as an executive Director on January 12, 2011. Mr. Xu has approximately 10 years of experience in the wastewater treatment industry. Mr. Xu is our chief operating officer, mainly responsible for the construction and implementation of the projects which our Company undertakes. Mr. Xu is also responsible for the start-up and development of our Company's operation team as well as staff recruitment. Mr. Xu is also experienced in the engineering, trade and processing industries. Mr. Xu was an assistant general manager at Guangzhou To Kee from 1995 to 2003. Mr. Xu has led the development, operation and management of Guangzhou Xintao and Guangzhou Kaizhou since 2003. Mr. Xu completed his secondary education at Zengcheng Xintang Secondary School (增城市新塘中學) in 1981. Mr. Xu is not related to Mr. Tsui. As of the Latest Practicable Date, Mr. Xu did not hold directorship in other listed public companies in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

Mr. XU Zi Tao (徐子滔), aged 43, is an executive Director. He joined us in September, 2003 and was appointed as an executive Director on January 12, 2011. He is the brother of Mr. Tsui and a cousin of Mr. Xu Ju Wen. Mr. Xu has approximately eight years of experience in wastewater treatment industry. Currently, Mr. Xu is responsible for our Group's safety compliance and public services works, including liaising with local neighborhoods regarding infrastructure development. Mr. Xu was a manager at Guangzhou To Kee from 1994 to 2003. Since 2003, he has been an assistant general manager at both Guangzhou Xintao and Guangzhou Kaizhou, where he managed the operation and development of these companies. Mr. Xu completed his secondary education at Zengcheng Xintang Secondary School (增城市新塘中學) in 1985. As of the Latest Practicable Date, Mr. Xu did not hold directorship in other listed public companies in the past three years.

Independent non-executive Directors

Mr. XU Zhen Cheng (許振成), aged 60, was appointed on June 14, 2011 as an independent non-executive Director. Mr. Xu has approximately 34 years of experience in the research and engineering practice of environmental science and engineering technology, specializing in the research and engineering technology development of pollution control systems. Mr. Xu is currently the deputy director and researcher at the South China Institute of Environmental Sciences, MEP. He is the professor to doctorate and postgraduate students at Hunan Agricultural University (湖南農業大學). He is also one of the panel members in three national projects namely, Project 863RISK (重大環境污染事件應急技術系統研究開發與應用示範), the National Science and Technology Major Project "Water pollution control and treatment" (水體污染控制與治理) and the "Investigation of Environmental Health in Key National Regions". Mr. Xu has primarily been involved in the research and development of environmental science and engineering technology by holding various positions in the academia, including the researcher at MEP and the assistant institute supervisor (副所長) of the South China Institute of Environmental Sciences. Mr. Xu mainly engaged in environmental and related interdisciplinary research, including but not limited to:

- the "Dongjiang Water Pollution Control and Ecological Health Maintenance and Technology Demonstration" (東江水系污染控制與水生態健康維持技術綜合示範);
- Investigation of Environmental Health in Key National Regions (全國重點地區環境與健康專項調查);
- Subtropical Agricultural Pollution Control Technology System (亞熱帶農業污染系統控制技術研究);
- Assessment of the Environmental Impact of the Cadmium Pollution Incident at North River, Guangdong (北江鎘污染應急工作);
- Environmental Planning of the Pearl River Delta / Province of Guangdong (珠江三角洲/廣東省環境規劃);
- Pearl River Valley Water Pollution Prevention Plan (珠江流域水污染防治規劃);
- New Era National Environment Strategy Research (新時期國家環境戰略研究);
- National Ecological Civilization Strategy Research (國家生態文明建設戰略研究);
- Water Quality Improvement and Ecological Restoration Technology Demonstration (水環境質量改善與生態修復技術研究及綜合示範);
- Advanced River Water Purification Technology Research and Demonstration (河道水質淨化強化技術研究與工程示範); and

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- City Waste Incineration Equipment Improvement and Industrialization Research (大規模城市垃圾焚燒發電系統關鍵設備聯合研究).

Mr. Xu has received a total of 20 science and technology awards, at national, provincial and ministerial levels, as well as the special government allowances for outstanding contribution to the national science research granted by the State Council in 1992, the title as Outstanding Worker of the Environmental Science and Technology Research and Development by the Ministry of Environmental Protection of the PRC in 1996, the “Ding Ying Science and Technology Award” issued by Guangdong Province (廣東省丁穎科技獎) in 1999 and the title of Outstanding Worker of the National Environmental Protection System by the HR department of the Ministry of Environmental Protection of the PRC (at both provincial and ministerial levels) in 2000. Mr. Xu graduated from Sun Yat-Sen University (中山大學) in 1980 majoring in geography.

As of the Latest Practicable Date, Mr. Xu did not hold directorship in other listed public companies in the past three years.

Mr. LIU Yung Chau (廖榕就), aged 59, was appointed on June 14, 2011 as an independent non-executive Director. Mr. Liu is a director of Yue Hua Group Company Limited and Guangzhou Sun City Group Limited. Mr. Liu was the chief president of the Hong Kong Industrial & Commercial General Association, member of the standing committee of Guangdong Chinese People’s Political Consultative Conference, member of the standing committee of Guangdong Federation of Industry, vice chairman of the Guangdong Chamber of Foreign Investors and chairman of the Zengcheng Federation of Industry. In addition, Mr. Liu has been awarded with the “World Outstanding Chinese Award” (世界傑出華人獎) in May 2010. Mr. Liu has established the Guangzhou Sun City Group Limited and its affiliates covers a wide range of business areas including education, hotel and tourism, textile and apparel, real estate and financial investment industry. Mr. Liu was given the honorary title of “May 1st Model Worker” in 2009. As of the Latest Practicable Date, Mr. Liu did not hold directorship in other listed public companies in the past three years.

Mr. LAM Ka Wai, Graham (林家威), aged 45, was appointed on June 14, 2011 as an independent non-executive Director. He has been a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants since January 1997 and March 1995, respectively. Mr. Lam is currently the Managing Director (Corporate Finance) of an investment bank and has approximately 19 years experience in investment banking as well as over three years of experience in accounting and auditing. In addition, Mr. Lam has been an independent non-executive director of the following companies listed on the Growth Enterprise Market and the Main Board (as the case may be) of the Stock Exchange:

Period	Companies	Stock code
Main Board:		
September 2004 to Present	Cheuk Nang (Holdings) Limited	131
October 2005 to December 2011	Applied Development Holdings Limited	519
September 2007 to Present	China Fortune Financial Group Limited	290
January 2008 to October 2010	China Oriental Culture Group Limited (formerly known as ZZNode Technologies Company Limited)	2371
March 2008 to Present	Nan Nan Resources Enterprise Limited	1229
October 2008 to March 2013	Pearl Oriental Oil Limited	632
April 2012 to March 2013	King Stone Energy Group Limited	663
January 2010 to May 2012	Value Convergence Holdings Limited	821
Growth Enterprise Market:		
December 2008 to April 2012	Chinese Strategic Holdings Limited (formerly known as China Railway Logistics Limited)	8089
August 2009 to January 2011	Finet Group Limited	8317
November 2010 to May 2011	Hao Wen Holdings Limited	8019
March 2011 to Present	Well Way Group Limited	8063

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Although Mr. Lam is an independent non-executive director of four other companies listed on the Stock Exchange, Mr. Lam expects that he will be able to devote sufficient time to the affairs of our Group and he will also make himself available to discuss any matters relating to our Group with other Directors on an ad hoc basis, as and when required. Mr. Lam believes that he has the capacity to devote sufficient time to our Group in discharge of his duties as one of our Directors. Our Company is also satisfied that Mr. Lam can devote sufficient time to perform his duties as an independent non-executive Director.

Mr. Lam was graduated from the University of Southampton, England with a bachelor of science degree in accounting and statistics in 1990.

Each of our Directors has not been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management. For Directors who also hold executive positions, please refer to “Directors” above for more information.

Name	Age	Position
Mr. TSUI Cham To (徐湛滔)	46	executive Director and chairman
Mr. XU Shu Biao (徐樹標)	47	executive Director and director of operations
Mr. LU Yili (盧已立)	38	executive Director, managing director and development director
Mr. SIT Hon Wing (薛漢榮)	36	chief financial officer and company secretary
Mr. HUANG Rong Zhou (黃榮洲)	65	technology and research & development director
Mr. YU Zhen (俞臻)	37	chief strategy officer
Mr. ZHAO Ke Yin (趙克銀)	39	chief engineer

Mr. SIT Hon Wing (薛漢榮), aged 36, is our chief financial officer and is mainly responsible for overseeing our Group’s financial and company secretarial matters. Mr. Sit joined us in 2008. He left us in April 2010 and starting from June 2010 served China Railsmedia Corporation Limited (Stock code: 745) as its financial controller and company secretary. Mr. Sit re-joined us in December 2010. From 1999 to 2002, he worked in the audit and assurance department of PricewaterhouseCoopers in Hong Kong. Mr. Sit has also served as the financial controller and company secretary of numerous listed companies in Hong Kong. From June 2006 to January 2008, Mr. Sit was the financial controller and company secretary of Sau San Tong Holdings Limited (stock code: 8200). From December 2002 to November 2005, he was the financial controller of Code Agriculture (Holdings) Limited (formerly known as China Chief Cable TV Group Limited (stock code: 8153)). Mr. Sit received a bachelor’s degree in accountancy from the Hong Kong Polytechnic University in 1999 and he has been a fellow member of both the Hong Kong Institute of Certified Public Accountants (HKICPA) and Association of Chartered Certified Accountants (ACCA) since January 2003 and May 2004, respectively.

Mr. HUANG Rong Zhou (黃榮洲), aged 65, is our technology and research & development director. Mr. Huang joined us in November 2010 and is currently responsible for the technological research, development and innovation for our Group. His duties include liaising with relevant technological research organizations, assisting in our application for projects sponsored by the PRC Government and patent applications. He attained the qualification of senior environmental engineer in November 1994 after passing the assessment of Guangdong Province Environmental Protection Engineer Technology Senior Workers Assessment Committee (廣東省環境保護工程技術人員高級職務評審委員會). He is a two-time leader of PRC national working groups investigating environmental

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protection research topics, for example, he is one of the authors of the research papers titled *The Study of Material Corrosion by Acid Rain in Guangzhou* (《廣州地區酸雨對材料腐蝕研究》) and *The Study of the Relationships between Acid Rain and Meteorological Conditions in Guangzhou* (《廣州酸雨與氣象條件關係》), which were awarded the Guangzhou environmental protection technology second honours (廣州市環境保護科技進步獎二等獎) for the year of 1991. In particular, Mr. Huang was the engineer of Guangzhou City Environmental Inspection Centre Station (廣州市環境監測中心站) from 1983 to 1992, as well as the assistant chief of Yuexiu District Environmental Protection Bureau (越秀區環境保護局) from 1997 to 2002. He was also engaged as a researcher in Yuexiu District Environmental Protection Bureau (越秀區環境保護局) in 2008, and was qualified as a state cleaner production auditor in 2009.

In addition, Mr. Huang was engaged by various associations to participate in roles that are related to environmental protection, including:

- as a special contributor by Zhujiang Environment News (《珠江環境報》) in 1995,
- as the speaker of Professors of Systems, Technology, Communications and Operations Group (系統科技傳播行動教授團) by Guangzhou Yuexiu Bureau Of Education (廣州市越秀區教育局) in 1997,
- as the member of Yuexiu Science Report Group (越秀區科普報告團) by Yuexiu Association For Science and Technology (越秀區科學技術協會) in 2000,
- as Vice President by Yuexiu Fifth Administrative Committee of the Environmental Science Association (越秀區環境科學學會第五屆理事會) from April 2002 to April 2004 and the committee member of Yuexiu Thirteenth Standing Committee on Environment and Resources Protection of Urban and Rural Construction (越秀區第十三屆人大常委會城鄉建設環境與資源保護工作委員會) in 2003.

He was the honorary president and technology adviser to Environmental Protection Association of Yuexiu district, Guangzhou (廣州市越秀區環保產業協會) from 2005 to 2008. In 1965, Mr. Huang graduated from Chengdu Institute of Meteorology (成都氣象學院) with a certificate in Meteorological Communication (氣象通訊).

Mr. YU Zhen (俞臻), aged 37, is our chief strategy officer. Mr. Yu joined us in February 2011 and is mainly responsible for formulating our Group's development strategy, dealing with financing related activities and investor relations. Mr. Yu has experience in investment and financing, especially in the areas of project financing, structured debt and investment in infrastructure and energy sectors. Prior to joining us, Mr. Yu had worked at the finance arms of various international institutions in Singapore and Hong Kong, including Bechtel International Inc, Standard Chartered Bank and FE Clean Energy Asia Pte Ltd. Mr. Yu graduated from the National University of Singapore with a bachelor's degree in business administration in 1999.

Mr. ZHAO Ke Yin (趙克銀), aged 38, is our chief engineer. Mr. Zhao joined us in March 2004 and is currently responsible for the daily operation, technical supervision and implementation of our Group. Mr. Zhao is responsible for implementing national policies relating to technology and advanced technology management policies. Mr. Zhao has approximately nine years of experience in wastewater treatment, with a special focus on industrial wastewater treatment technology. He is also responsible for leading the implementation technical aspects of our Group's projects, devising work plans to ensure quality assurance and compliance with various industry technical standards, regulations and procedures. Mr. Zhao is our Group's key liaison with regulatory authorities. In 1998, Mr. Zhao obtained a diploma in environmental protection monitoring and implementation from Shenyang Polytechnic University (瀋陽工業學院). He obtained a wastewater treatment training

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certificate issued by Guangdong Environmental Association Environmental Protection Vocational Training Centre (廣東環協環保職業技能培訓中心). He has also passed the environmental protection training accredited by Guangzhou Environmental Protection Promotion and Education Centre (廣州市環境保護宣傳教育中心) and Guangzhou Environmental Protection Bureau (廣州市環境保護局).

COMPANY SECRETARY

Mr. Sit Hon Wing is our company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of his background, please refer to the section headed “Directors and Senior Management — Senior Management” in this prospectus.

BOARD COMMITTEE

Audit Committee

We established an audit committee on September 4, 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, Mr. Lam Ka Wai, Graham (being the chairman who has a professional qualification in accountancy), Mr. Liu Yung Chau and Mr. Xu Zhen Cheng. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We established a remuneration committee on September 4, 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, two of whom are independent non-executive Directors, being Mr. Liu Yung Chau and Mr. Xu Zhen Cheng. The remuneration committee is chaired by Mr. Xu Zhen Cheng, an independent non-executive Director. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors regarding our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We established a nomination committee on September 4, 2013 with written terms of reference in compliance with paragraph A5 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The nomination committee consists of three members, namely Mr. Liu Yung

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Chau, Mr. Lam Ka Wai, Graham and Mr. Tsui, two of whom are our independent non-executive Directors. The chairman of the nomination committee is Mr. Liu Yung Chau. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

EMPLOYEES

As of April 30, 2013, we employed a total of 348 full-time employees. They can be categorized as follows according to their roles. The following table shows an approximate breakdown of our employees by function:

<u>Employee Type</u>	<u>Number of Employees</u>
General and administration (including public relations)	42
Finance	10
Quality control (including laboratory and R&D staff)	33
Procurement	8
Operation	222
Engineering and maintenance	<u>33</u>
Total	<u><u>348</u></u>

We believe that successful implementation of our growth and business strategies relies on a team of experienced, motivated and well-trained management and employees at all levels.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, and grounds for termination. We generally formulate our employees' remuneration package to include a salary, bonus and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance, measured against other objective criteria we prescribe. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies.

For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, we incurred employee costs (including Directors) of HK\$7,004,000, HK\$12,630,000, HK\$17,056,000 and HK\$7,271,000, respectively.

As required by PRC regulations as well as compulsory rules of the PRC local governments, we participate in various social welfare schemes including pension, medical, maternity, work-related injury insurances and housing provident fund contributions. We are required under PRC law to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of our employees in accordance with the respective regulatory requirement, up to a maximum amount specified by the relevant local governments from time to time. The total amount of contributions we made to such social welfare schemes for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 was approximately HK\$503,000, HK\$1,582,000, HK\$2,102,000 and HK\$911,000, respectively.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 was approximately HK\$620,000, HK\$664,000, HK\$679,000 and HK\$246,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 was approximately HK\$1,069,000, HK\$1,941,000, HK\$2,181,000 and HK\$828,000, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013. Further, none of our Directors waived any remuneration during the same period.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending December 31, 2013 is estimated to be approximately HK\$1,157,000.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section headed “Statutory and General Information — Other Information — Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Somerley Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES RELATING TO MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our core business and operations are substantially based in the PRC. It would be practically difficult and commercially unnecessary for us to relocate our executive Directors to Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (1) We have appointed and will continue to maintain two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that they comply with the Listing Rules at all times. The two authorized representatives appointed are Mr. Tsui and Mr. Lu Yili, both of whom are our executive Directors. Mr. Tsui holds a valid Hong Kong permanent identity card and Mr. Lu Yili can apply for valid travel documents to visit Hong Kong for business purposes. Both Mr. Tsui and Mr. Lu Yili will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorized representatives has been authorized to communicate on our behalf with the Stock Exchange. We will also appoint Mr. Sit Hon Wing, who is ordinarily resident in Hong Kong, company secretary of our Company, as an alternate authorized representative.
- (2) Each of our authorized representatives (including the alternate authorized representatives) has means to contact all of our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, we will implement a policy that (a) each Director will have to provide his/her mobile telephone number, fax number and email address to the authorized representatives; (b) in the event that a Director expects to travel, he/she will endeavor to provide the telephone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile telephone; and (c) all our Directors will provide their respective mobile telephone numbers, office telephone numbers, fax numbers and email addresses to the Stock Exchange.
- (3) All our Directors have confirmed that they possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange within a reasonable period.
- (4) We have appointed a compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, which will have access at all times to the authorized representatives, our Directors and the senior management of our Company, and such compliance adviser will act as an additional channel of communication between the Stock Exchange and us for the period commencing on the Listing Date and ending on the date on which we distribute our annual report for the first full year after the Listing Date in accordance with Rule 13.46 of the Listing Rules.
- (5) Meetings between the Stock Exchange and our Directors could be arranged through the authorized representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the compliance adviser in accordance with the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH RULE 14A.42(3) OF THE LISTING RULES RELATING TO CONTINUING CONNECTED TRANSACTION

We have applied to the Stock Exchange for a waiver under Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirement in respect of our non-exempt continuing connected transactions. Please refer to the section headed “Connected Transactions” in this prospectus for details.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised):

		<i>HK\$</i>
Authorized share capital:		
4,000,000,000	Shares of HK\$0.10 each	400,000,000
Issued and to be issued, fully paid or credited as fully paid:		
1,000,000	Shares in issue as of the date of this prospectus	100,000
1,019,000,000	Shares to be issued pursuant to the Capitalization Issue	101,900,000
340,000,000	Shares to be issued pursuant to the Global Offering	34,000,000
1,360,000,000	Total	136,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalization Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after completion of the Global Offering.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, Our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (a) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (b) the total amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option granted or which may be granted under the Share Option Scheme.

SHARE CAPITAL

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
 - at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
 - when varied or revoked by an ordinary resolution of the Shareholders in general meeting.
- whichever is the earliest.

Further information on this general mandate is set out in the section headed "Statutory and General Information — Further Information About Our Company and Our Subsidiaries — Resolutions in writing of the shareholders of our company passed on September 4, 2013" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — Further Information About Our Company and Our Subsidiaries — Repurchase of our Shares" in Appendix IV to this prospectus.

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
 - at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
 - when varied or revoked by an ordinary resolution of the Shareholders in general meeting.
- whichever is the earliest.

SHARE OPTION SCHEME

On September 4, 2013, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the section headed "Statutory and General Information — Other Information — Share Option Scheme" in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our financial information as of and for the years ended December 31, 2010, 2011, 2012 and for the four months ended April 30, 2013, together with the notes thereto included as Appendix I to this prospectus. Our financial information is prepared in conformity with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the whole of the accountants' report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections headed "Forward-Looking Statements", "Risk Factors" and "Business" and elsewhere in this prospectus.

Unless the context otherwise requires, for the purpose of this section, references to "2010", "2011" and "2012" refer to our financial years ended December 31, 2010, 2011, 2012 and "the four-month period" refers to the four months ended April 30, 2013, respectively. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Our principal business is the provision of industrial wastewater treatment and industrial water supply services. We also take on certain projects to provide municipal wastewater treatment services if we consider such projects to be beneficial to us, taking into account factors such as profit margins and the development of relationships with local governments. In general, industrial wastewater treatment services have a higher gross profit margin than municipal wastewater treatment services, according to the Ernst & Young Report. Some of our treatment facilities can treat a mixture of industrial and municipal wastewater.

We focus on developing centralized and cost-efficient wastewater treatment facilities for industrial parks or clusters. Many local governments are increasingly promoting the large-scale development of selected industries in the form of specialized industrial parks or clusters. We expect this trend to continue and intend to capitalize on anticipated industrial growth by actively seeking business opportunities in and further expanding our operations to other parts of China such as Sichuan, Hubei, Jiangxi and Guangxi provinces. We believe our strong track record in providing centralized wastewater treatment and industrial water supply services positions us well to capitalize on continued industrial growth in China.

We currently have four wastewater treatment plants (including that under the Yinglong Project) and one industrial water supply plant in operation located in Guangdong province and one wastewater treatment plant in operation located in Hunan province. These facilities have an aggregate constructed capacity of 365,000 m³ per day (including 100,000 m³ per day for the Yinglong Project held by Guangzhou Yinglong, of which we own a 46% equity interest) for wastewater treatment and 150,000 m³ per day for industrial water supply. For the year ended December 31, 2012, these facilities had an aggregate daily average utilized capacity of 286,973 m³ per day (including the capacity of 72,681 m³ per day for the Yinglong Project) for wastewater treatment and 96,836 m³ per day for industrial water supply. We commenced operations at our Huaihua Tianyuan Treatment Facility (Phase I) in July 2010. As of the Latest Practicable Date, it was serving 12 companies which had commenced formal operation within the industrial park where the Huaihua Tianyuan Treatment Facility operates. We expect to leverage our successful experience in providing centralized wastewater treatment services in the development of our new projects.

FINANCIAL INFORMATION

Our total turnover grew during 2010, 2011 and 2012, from HK\$361.4 million in 2010, to HK\$462.3 million in 2011 and to HK\$383.8 million in 2012, representing a CAGR of 3.05%. Our total turnover was HK\$133.7 million for the four months ended April 30, 2013. Our profit attributable to equity holders of our Company also grew during 2010, 2011 and 2012, from HK\$120.9 million in 2010, to HK\$164.5 million in 2011 and to HK\$177.2 million in 2012, representing a CAGR of 21.07%. Our profit attributable to equity holders of our Company was HK\$49.3 million for the four months ended April 30, 2013. Our overall high gross profit margin during the Track Record Period was primarily attributable to economies of scale from the provision of centralized wastewater treatment services to multiple customers and the increase in the unit price charged for wastewater treatment services by Guangzhou Xinzhou Industrial Park Treatment Facility. For more details, please refer to the section headed “Financial Information — Description of Selected Income Statement Line Items — Gross profit and gross profit margin” in this prospectus.

Core Business — Wastewater Treatment and Industrial Water Supply Services

We focus on providing integrated, customized, centralized and large-scale industrial wastewater treatment and water supply services in a cost-effective and timely manner. Our services encompass the whole value chain of the wastewater treatment and industrial water supply services industry, which covers the processes of project selection, project design, execution and project management, procurement and construction, as well as ongoing operation and maintenance of wastewater treatment and water supply facilities.

Wastewater Treatment — BOO, BOT and O&M Project Models

We use principally the Build-Own-Operate (“BOO”) or Build-Operate-Transfer (“BOT”) project model to provide our wastewater treatment services. We also intend to commence providing O&M services to wastewater treatment facilities of third parties by the end of 2013. For more details, please refer to the sections headed “Industry Overview — China’s Wastewater Treatment Industry — Wastewater Treatment Operating Modes” and “Business — Our Project Management Process” in this prospectus.

Wastewater Treatment — BOO and BOT Project Accounting Treatment

The accounting treatment of a BOT project is different from that of a BOO project. The mix of BOO and BOT project models will have an impact on our turnover and cost recognition, cash flows and gross profit margin during the relevant periods. The differences in the accounting treatment of our BOO model and BOT model are summarized below. For more details, please refer to the sections headed “Financial Information — Description of Selected Income Statement Line Items — Turnover” and “Financial Information — Factors Affecting Our Results of Operations — Project Model Mix” in this prospectus.

For our BOO projects, we recognize turnover when wastewater treatment services are rendered during the operational phase. We record the amount of turnover recognized from the provision of wastewater treatment services in our consolidated income statement. Outsourcing costs related to the construction of our facilities, as well as property, plant and equipment used in providing such services are capitalized as fixed assets. Depreciation of such property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives less their estimated residual value. Unlike BOT projects, the accounting treatment for BOO projects does not involve any estimation or recognition of construction turnover.

Our BOT projects are considered as service concession arrangements under HK (IFRIC) 12. As such, we recognize turnover from a BOT project during both the construction phase and the operational phase, while we generally only receive payments for our services rendered during the operational phase. Turnover for the construction phase expected to be generated from a BOT project is estimated and valued at the time the relevant contracts for the project are entered into. During the

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construction phase, we recognize turnover for construction services under our BOT projects on the basis of the percentage of completion. Turnover recognized during the operational phase accounts for the remainder of the total turnover from such BOT projects. For more details, please refer to the sections headed “Financial Information — Description of Selected Income Statement Line Items — Turnover” and “Financial Information — Factors Affecting Our Results of Operations — Project Model Mix” in this prospectus.

For our BOO projects, we recognize turnover when we provide wastewater treatment services under the operational phase and we normally expect to receive the cash flow matching the recognized turnover within the credit period granted to our customers. We generally do not receive any payment during the construction phase of our BOT projects. The actual cash inflow for our construction turnover from our BOT projects will only be received in the form of cash tariff payments during the operational phase of the relevant BOT projects, which can be up to 30 years. If we undertake more BOT projects in the future, this will result in a significant cash flow mismatch as we may not have the cash inflow matching the turnover recognized during the construction phase of our BOT projects.

Sludge Treatment

We currently treat sludge through a comprehensive treatment process and give the post-treated sludge to third parties for legitimate industrial use or disposal. At our Guangzhou Xinzhou Industrial Park Treatment Facility, we currently treat sludge produced as a by-product of our own wastewater treatment using our solar industrial sludge drying system. The post-treated sludge at this facility may be used as a component of fuel substitute by blending with additional fuels such as coal for use in certain manufacturing processes. We may sell this fuel substitute in the future and, as advised by our PRC legal counsel, the sale of fuel substitute does not require additional licenses and approvals. At our Yonghe Haitao Treatment Facility, we currently treat sludge produced as a by-product of our own wastewater treatment using a fully enclosed and continuous sludge compost fermentation facility. We obtained a Sludge Treatment Permit for our Yonghe Haitao Treatment Facility in March 2013 and we are now permitted to provide sludge treatment services to third parties in respect of municipal wastewater. The post-treated sludge at this facility may be used as bio-organic fertilizers for agriculture and we plan to apply for the relevant licenses and approvals for the sale of these bio-organic fertilizers. As of the Latest Practicable Date, we had commenced providing sludge treatment services to third parties in respect of municipal wastewater at our Yonghe Haitao Treatment Facility but had not commenced the sale of any post-treated sludge products.

Heating Services

As a complementary business, we provide heating services to our customers in Guangzhou Xinzhou Industrial Park since July 2011. Pursuant to an agreement and a supplementary agreement for the provision of heating services entered into on January 26, 2011 between Guangzhou Xintao and Xintang Heat, in July 2011, we commenced procuring heating from Xintang Heat, which provides heating services to customers outside the industrial park but does not currently provide any such service within the park. We in turn provide heating services to our customers in Guangzhou Xinzhou Industrial Park. Guangzhou Xintao received approval from the relevant authorities to expand its scope of business to include the provision of central heating services. Our PRC legal counsel has advised us that no additional special permits or licenses are required for Guangzhou Xintao to provide central heating services in Guangzhou Xinzhou Industrial Park. We believe that, by providing central heating services in Guangzhou Xinzhou Industrial Park, we can benefit both the environment and the companies within the park, including Guangzhou Xintao. For more details, please refer to the section headed “Business — Our Projects — Guangzhou Xinzhou Environmental Protection Industrial Park Treatment Facility” in this prospectus.

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While we intend to expand our operations into other waste treatment areas, the provision of wastewater treatment services will continue to be our core business in the future. Please refer to the section headed “Risk Factors” in this prospectus for more information on the risks associated with our business and future development.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as a company with limited liability on November 30, 2010. Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group as of the same date. The Reorganization has been undertaken in preparation for the Global Offering. For details of the Reorganization, please refer to the section headed “History and Reorganization” in this prospectus.

Merger accounting has been applied in the accounting of the Reorganization. The consolidated income statements, the consolidated statements of comprehensive income, our consolidated statements of changes in equity and the consolidated cash flow statements include the results of operations of our Company and its subsidiaries for the relevant period (or where our Company and its subsidiaries were incorporated/established at a date later than January 1, 2010, for the period from the date of incorporation/establishment to April 30, 2013) as if the Reorganization was completed at the beginning of the relevant period. Our consolidated statements of financial position as of December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 have been prepared to present the state of affairs of our Company and its subsidiaries as of those dates as if the Reorganization was completed at the beginning of the relevant period. All material intra-group transactions and balances have been eliminated on consolidation.

Our financial information as of and for the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013 was audited by our reporting accountants. Our financial information has been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Companies Ordinance. Pursuant to HKFRS, our financial information has been prepared under the historical cost basis. Our financial information is presented in Hong Kong dollars.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, and will continue to be, affected by a number of factors, many of which are beyond our control, including:

Demand for our wastewater treatment and industrial water supply services in China

Our results of operations are affected by the level of demand for wastewater treatment and industrial water supply services in China. Such demand in China has been driven by various factors, including, among others, changing economic conditions, industrial development in China, macroeconomic policies of the PRC Government and the local governments, regulatory requirements pertaining to our industry as well as increasing focus of the PRC Government and the local governments on environment protection. We believe these factors will continue to have an impact on the demand for wastewater treatment and industrial water supply services in China and, hence, our business and results of operations.

Demand for wastewater treatment and industrial water supply services will depend, to a large extent, upon the economies of China and its principal export markets. Slowing economic growth or a recession in China or in its principal export markets could have a material and adverse impact on our business and results of operations. Our business will be influenced by the development of the industries that our customers are engaged in and their business growth, which is directly linked to the demand for our services. During periods of slowing economic growth or recession, these industries may experience significant cutbacks in production which could substantially decrease the discharge of wastewater or the use of industrial water in the manufacturing process, which in turn could adversely affect demand for our services. Our results of operations are also affected by local market conditions in the regions where we operate or to which we plan to expand.

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For our projects that involve servicing manufacturing companies in designated industrial parks, our results of operations are influenced by the development of the industrial parks that we are servicing or to which we plan to expand, which in turn is affected by the extent of governmental support and participation in such development. In an effort to enhance the economic development in their respective regions, many local governments have promoted the development of selected industries in designated areas in a large-scale manner through the development of specialized industrial parks. However, the development of the industrial parks may not turn out to be successful and they may fail to attract suitable manufacturers to achieve the desired occupancy level or economies of scale. We expect the trend of local governments promoting industrial development in their respective regions to continue and intend to capitalize on such anticipated industrial growth. Accordingly, our business and results of operations will be influenced by the development of the industrial parks or clusters in the industries and geographical markets that we are servicing or to which we plan to expand.

Changes in government policies and regulations relating to the wastewater treatment and industrial water supply services industry

We are engaged in an industry where regulatory standards play a critical role in influencing the demand for our services. Our operations are sensitive to changes in the PRC Government's laws and regulations relating to the wastewater treatment and industrial water supply services industry, or changes in the implementation of such laws and regulations. Any changes in legislative, regulatory or industrial requirements have an impact on our ability to provide our wastewater treatment and industrial water supply services.

In recent years, the PRC Government has been increasingly focusing on environmental protection. We are currently in a favorable regulatory environment where the PRC Government encourages the development of the environmental protection industry and has stated its intention to increase investment in the environmental protection industry going forward. We believe that this anticipated increase in government spending on wastewater treatment and industrial water supply infrastructure will further increase the demand for our services. In addition, environmental regulatory requirements in China are becoming increasingly stringent as the PRC Government sets stricter water quality standards for our industry. Accordingly, companies that fall below the required standard or those that illegally discharge wastewater may be subject to substantial fines or, in extreme cases, required to close their facilities. Although these stricter regulatory requirements may lead to higher compliance costs, we believe they present new business opportunities for us due to our ability to provide integrated wastewater treatment and industrial water supply solutions to our customers that meet the relevant environmental regulatory requirements. We believe that we are well positioned to respond to the increasingly stringent environmental protection policies in China. Changes in government environmental protection policies will continue to have an impact on the outlook of our business and results of operations.

Currently, our business and operations in China require permits, licenses and certificates from the relevant government authorities. From time to time, changes in the rules and regulations or the implementation thereof may require us to obtain additional approvals and licenses from PRC authorities for our operations in China. In such event, we may need to incur additional expenses in order to comply with such requirements. In addition, some of these licenses, permits and certificates are subject to periodic reviews and renewals by the relevant governmental authorities and the standards of compliance required may from time to time be subject to change without advance notice. Any changes in the existing government policies and regulations relating to wastewater treatment and industrial water supply services industry may result in our failure to obtain or maintain such permits, licenses and certificates, which could have a negative impact on our financial condition and results of operations.

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Project model mix

We principally use the BOO or BOT project models to provide industrial wastewater treatment services in a large-scale and centralized manner to customers in industrial parks or clusters. We generally use the BOT project model to provide municipal wastewater treatment services. The mix of BOO and BOT project models will have an impact on our turnover and cost recognition, cash flows and gross profit margin during the relevant periods.

The accounting treatment for a BOT project is different from that of a BOO project. The difference affects our turnover and cost recognition, cash flows and profitability. Our BOT projects are considered as service concession arrangements under HK (IFRIC) 12. As such, we recognize turnover from a BOT project during both the construction phase and the operational phase. We recognize the turnover during the construction phase based on the percentage of completion of the construction. We engaged an independent property valuer to value the construction services during the Track Record Period that form a basis for us to estimate the total turnover for the construction phase. The total turnover from construction services of each BOT project during the Track Record Period is valued by the independent property valuer based on the market value of similar construction services. When the outcome of construction services pursuant to a service concession arrangement can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the percentage of completion of the construction. During the Track Record Period, in determining the stage of completion for each relevant reporting period, we used the actual construction cost incurred during the period over the total budgeted construction cost during the entire construction phase. Going forward, we need to estimate the amount of construction costs based on our assessment of, among other things, the market conditions and the costs of raw materials and equipment and other operating costs. Accordingly, unlike our BOO projects, we recognize turnover for construction services under our BOT projects on the basis of the percentage of completion. If we undertake more BOT projects in the future, due to the recognition of construction turnover, we will recognize more turnover during the construction phase of these projects, with the operational phase accounting for the remainder of the total turnover from such BOT projects.

We generally do not receive any payment from the local government during the construction phase of our BOT projects. The actual cash inflow for our construction turnover from our BOT projects is only received in the form of cash tariff payments during the operational phase of the relevant BOT projects, which can be up to 30 years. For our BOO projects, we recognize turnover when we provide wastewater treatment services under the operational phase and we normally expect to receive the cash flow matching the recognized turnover within the credit period granted to our customers. Should we undertake more BOT projects in the future, it will result in a significant cash flow mismatch as we may not have the cash inflow matching the turnover recognized during the construction phase of our BOT projects.

We intend to continue using both BOO and BOT project models in our business. The relative turnover contribution by our projects will depend on the markets in which we operate and to which we plan to expand, whose growth will depend on, among other things, the level of governmental support and planning as well as the characteristics of the industrial development in the areas.

We intend to commence providing O&M services to wastewater treatment facilities of third parties by the end of 2013. Under an O&M services contract, we intend to manage and operate industrial wastewater treatment plants for third parties for a fixed period of time. We expect to charge our O&M customers a fee for our services, which will generally be calculated based on the volume of wastewater being treated.

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Operating costs and governmental pricing policies regarding our services

We are exposed to fluctuations in the prices of raw materials and equipment used in constructing our treatment facilities as well as the raw materials we use in our wastewater treatment and industrial water supply process. For our BOO projects, the purchase costs of our raw materials are accounted for as part of the cost of sales, while the purchase costs of equipment are capitalized and depreciated over the estimated useful lives of such equipment. For our BOT projects, the cost of construction services represent the outsourcing cost we incur in respect of such projects and include the cost of equipment and raw materials purchased and provided by our contractors. Rising prices of raw materials and equipment and other operating costs, to the extent that we cannot pass on such increases to our customers, could adversely affect our financial performance.

Our ability to pass on increases in the purchase price of raw materials and equipment and other operating costs may be limited by certain government pricing policies in place. For projects involving municipal wastewater treatment services and certain of our BOT projects involving industrial wastewater treatment services, the fee we receive for the provision of treatment services typically includes a guaranteed tariff based on a guaranteed minimum treatment volume together with an additional tariff for water or wastewater treated in excess of the minimum volume. Such tariff rates are pre-determined at the time when we enter into the project agreement with the local government. Accordingly, our turnover and profitability are affected by such tariff rates, which are determined by our local government based on factors including the economic indicators for the region in which our facilities are operating, supply of and demand for water and discharge of wastewater and the cost of providing wastewater treatment services in the relevant area. Adjustments to tariffs are generally subject to regulation by various PRC government authorities. Any adjustment agreed to with the local government, may or may not be timely or sufficient to offset such increases. For our BOT projects, the concession agreements contain provisions specifying the circumstances when the parties can adjust the tariffs, generally by reference to inflation and/or changes in benchmark interest rate on loans or utilities charges. The tariff adjustments are subject to the government's consent. We believe that we will obtain the government's consent within one to two months. During the Track Record Period, we did not adjust tariffs for our BOT projects.

Our BOO projects are generally not subject to fixed tariffs, and thus we have greater flexibility in formulating our pricing policy and have more latitude in passing increased costs to our customers. For these projects, the relevant local government usually recommends a maximum price for our wastewater treatment or industrial water supply services, taking into account several factors such as, among others, labor costs, utilities charges, other operating costs, market conditions and project investment. The recommended maximum price serves as a guide and is subject to further negotiation with the customers. If we wish to increase our prices beyond the recommended maximum price set by the local government, we can apply to the relevant governmental authority and provide supporting documentation justifying such increase in the recommended maximum prices. The application to increase the recommended maximum tariff will generally take appropriately one month. Under the contracts with our customers at Guangzhou Xinzhou Industrial Park Treatment Facility, we usually are entitled to adjust the prices according to market conditions and national policies and regulations. During the Track Record Period, we periodically reviewed and adjusted the prices for various types of wastewater in accordance with the prevailing conditions of the industrial park taking into account, among other factors, the changes in operating costs. According to our PRC legal counsel, we have the ability to increase the prices for such projects in the future and even if our increased tariffs exceed the range set forth in the voluntary pricing guideline, we will not be subject to any form of penalty by the local government. However, as a practical matter, in the event that we increase our prices in the future beyond the pricing guideline, we may not be able to successfully negotiate agreements with our customers for such projects.

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In addition, staff costs are a component of our operating costs. The cost of labor in the PRC has generally increased in recent years, including in the regions in which we operate. Such increases, to the extent that we cannot pass them on to our customers, could adversely affect our financial performance.

Access to capital and cost of financing

Our performance is affected by our access to capital and financing costs. Since our business and operations are capital intensive, we require a significant amount of capital to expand our operations as well as maintain and operate our wastewater treatment and industrial water supply facilities. Our projects typically require us to make substantial financial investments during the construction phase of the projects. We are responsible for the costs related to the construction of the industrial water supply or wastewater treatment facilities, as well as the cost of operations, repairs and maintenance of the treatment facilities during the life of these facilities with respect to our BOO projects, or the concession period with respect to our BOT projects. We are also responsible for the land acquisition costs for our BOO projects. Pursuant to applicable regulations, we are required to fund at least 20% of total project investment amount through internal resources. In practice, we intend to finance the project with our own funds up to 30% of the total project investment amount. Therefore, we usually fund up to 70% of the total project investment amount from external sources, such as bank borrowings.

As a result of the required substantial financial investments for our projects, we need to look to external financing sources such as issuance of equity or debt securities and/or borrowings from banks or other sources. Our access to capital is therefore very important to our performance. The recent global financial crisis caused substantial volatility in the capital markets, which has resulted in reduced liquidity, widening of credit spreads, lack of pricing transparency in credit markets, a reduction in available financing and a tightening of credit terms. If there are prolonged disruptions to the credit markets in the future, this could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, and our business may be exposed to a downturn in turnover that might be caused by such tightening of credit conditions.

Our cost of financing affects our performance. As of December 31, 2010, 2011, 2012 and April 30, 2013, we had approximately HK\$319.3 million, HK\$484.5 million, HK\$599.4 million and HK\$595.9 million, respectively, of outstanding loans and borrowings. During the Track Record Period, we entered into loan agreements for a significant amount of debt, and we expect to borrow significant amounts in the future to finance our projects. Our long-term borrowings are at various rates linked to the long-term lending rates published by the PBOC. The principal amount of our long-term bank loans is to be repaid in installments on an annual basis or on a monthly basis during the life of the loan, with interest to be paid on a monthly basis. Certain bank loans do not require principal repayment for the first six months after the inception of the loans, which provides a more favorable cashflow position to us. Upward fluctuations in the lending rates published by the PBOC may increase the cost of our financing and adversely affect our turnover and profits. In addition, our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC Government to restrain money supply and credit availability for fixed asset investments.

Competition

We face competition in the wastewater treatment and industrial water supply services market primarily from existing wastewater and industrial water supply solution providers in China and new entrants to the market, some of which may have a lower cost structure than ours due to lower capital expenditures or lower labor costs. We believe that factors that are critical to our competitiveness in this market include project execution capability, research and development capability, understanding of the local governmental landscape, quality and price of wastewater treatment and industrial water supply services, brand reputation, marketing and customer services. We believe that we have enjoyed certain competitive advantages as a result of our extensive project execution capabilities, our strong

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research and technical expertise, our cost-effective centralized treatment solutions, our familiarity with national and local regulations in China and the needs of our principal customers, and our reputation for quality and customer service. The level of competition and our ability to sustain our competitive advantage may have an impact on our business and results of operations.

We believe there are entry barriers for potential competitors in providing wastewater treatment and industrial water supply services. The relevant environmental protection department sets and allocates the pollutants discharge quota for a designated area. Once the fixed amount of pollutants discharge quota has been fully allocated to the relevant entities by the local government in the regions where we operate, new enterprises intending to start operations in the relevant regions will not be able to obtain any pollutants discharge quota and therefore, unable to obtain approval from the local government to operate in the relevant regions. As such, in certain designated areas where we have obtained an allocated pollutants discharge quota and any remaining discharge quota has been allocated to the other entities, there will be no additional pollutants discharge quota available for any new enterprises. As such, we believe the fixed pollutants discharge quota allocated to us forms a regional entry barrier to our potential competitors, providing us with a strong competitive advantage in such regions. We believe these regional entry barriers will continue to have an impact on our business and results of operations. For additional details, please refer to the sections headed “Business — Competitive Strengths” and “Business — Competition” in this prospectus.

Our ability to expand our business

Our ability to expand our business is an important factor affecting our future business growth and results of operation. We will continue to focus on areas that have the potential to require centralized wastewater treatment facilities, such as existing or potential specialized industrial parks or clusters. As part of our plans for expanding our wastewater treatment services business, we intend to continue our focus on industrial wastewater treatment projects, with BOO as our preferred project model. We will continue to pursue municipal wastewater treatment projects, which are carried out under the BOT project model if we consider such projects to be beneficial to us. We also intend to further expand our operations in Guangdong province, though we also intend to actively seek opportunities in central and western China and to capitalize on the anticipated industrial growth in these areas. We plan to replicate our BOO project model used for Guangzhou Xinzhou Industrial Park and provide a fully integrated and centralized system of wastewater treatment and industrial water supply facilities for our Sichuan Guangyuan Industrial Park Treatment Facility in Guangyuan city, Sichuan province. We intend to provide sludge treatment services and O&M services to third parties. Our future prospects, business growth and results of operations may be affected by our ability to expand our business and manage our growth.

Our ability to strengthen our research and development capabilities

In order to continuously provide customized, integrated and large-scale wastewater treatment and industrial water supply solutions to our customers in a cost-effective and timely manner, we will continue to strengthen our R&D capabilities and focus on practical approaches and solutions for our customers in different industries. We plan to continue customizing and developing new technologies as well as adapting and applying such technologies to existing and new industries. Furthermore, we intend to continue to improve our sludge treatment technology with the plan that we will provide sludge treatment services to our customers in a cost-effective and timely manner upon receiving the relevant permit to operate our business in sludge treatment services. In addition, changes in regulations or standards for wastewater treatment and industrial water supply in the regions where we conduct our business may also necessitate the use of new technologies or the improvement of our existing technologies. Thus, our ability to further expand our market share, secure new projects and widen our customer base in turn depends on our ability to strengthen our research and development capabilities.

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Taxation

As we operate in and derive our turnover and profit from China, our results of operations and profitability are affected by changes in tax rates in China. Our subsidiaries that are registered in China and have operations in China are subject to enterprise income tax on taxable income as reported in their PRC statutory accounts, as adjusted in accordance with the relevant PRC income tax laws.

Pursuant to the relevant PRC laws and regulations, our wholly foreign-invested subsidiaries, Guangzhou Xintao and Guangzhou Kaizhou enjoyed a 50% reduction in income tax for 2010, 2011 and 2012. Guangzhou Kaizhou is subject to the uniform enterprise income tax rate of 25% from January 1, 2013. However, in 2012, Guangzhou Xintao applied for the status of high and new technology enterprise and it was granted such status in November 2012, subject to renewal before the expiry of such status in 2015. As a result of being granted such status, Guangzhou Xintao is entitled to enjoy a reduced enterprise income tax rate of 15% for 2013 and 2014. The wastewater treatment income derived from our Longmen Xilin Treatment Facility, Yonghe Haitao Treatment Facility, Huaihua Tianyuan Treatment Facility and the Yinglong Project is exempt from enterprise income tax for three years commencing from each of their respective first revenue-generating year and these subsidiaries are entitled to a 50% reduction from enterprise income tax for the next three years.

Set out below is a summary of our operating subsidiaries and associate and the relevant preferential income tax rates which they enjoy:

Operating subsidiaries/associate	Periods	Preferential income tax rates
Guangzhou Xintao	2013 - 2014	15%
Guangzhou Haitao	2013 - 2015	12.5%
Longmen Xilin	2013 - 2014	12.5%
Huaihua Tianyuan	2013	0%
	2014 - 2016	12.5%
Guangzhou Yinglong	2013 - 2014	0%
	2015 - 2017	12.5%

Since the status of high and new technology enterprise was granted to Guangzhou Xintao in November 2012, Guangzhou Xintao will continue to enjoy the preferential tax treatment in 2013 and 2014. Thus, only the preferential tax treatment of Guangzhou Kaizhou would expire before 2013. As a result, our Directors considered that there will not be any material adverse impact on our income tax expenses in the next few years.

Currently, Guangzhou Haitao, Longmen Xilin, Guangzhou Xintao, Guangzhou Yinglong and Huaihua Tianyuan are exempt from PRC value-added tax on the provision of wastewater treatment services.

The termination or expiry of any of our existing preferential tax treatments will adversely affect our future operating results. Changes in the taxes applicable to our business in China in the future will affect our tax expenses and profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those that require our management to exercise judgment and make estimates that would yield materially different results if our management were to apply different assumptions or make different estimates. Our financial information has been prepared in accordance with HKFRS.

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The preparation of the financial information in conformity with HKFRSs requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

When reviewing our financial information, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial information. Further details are set forth in Note 31 to the Accountants' Report included in Appendix I to this prospectus.

Our critical accounting policies are described below.

Service concession arrangements

From time to time, we enter into BOT arrangements with the local government authorities (the "grantor"). Pursuant to these BOT arrangements, we generally design, construct, operate and manage wastewater treatment plants in China for a period of 25 to 30 years (the "concession period"). We have the obligation to maintain the wastewater treatment plants in good condition. The grantor guarantees that we will receive minimum annual payments in connection with the BOT arrangements. Our management concluded that the BOT arrangements are service concession arrangements under HK (IFRIC) 12, because the local government controls and regulates the services that we must provide with the infrastructure at a pre-determined service charge. In addition, upon expiry of concession right agreement, the infrastructure has to be transferred to the local government at nil consideration.

We recognise a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services provided. Such financial assets are measured at fair value on initial recognition and classified as gross amounts due from customers for contract work. Subsequent to initial recognition, the financial assets are measured at amortised cost.

Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to us and the turnover and costs, if applicable, can be measured reliably, turnover is recognised in profit or loss as follows:

(i) **Service concession arrangement**

Turnover relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed. When the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

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Operation or service turnover is recognized in the period in which services are provided by us. When we provide more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

(ii) Finance income

Finance income is recognized as it accrues using the effective interest method.

(iii) Turnover from supply of industrial water

Turnover from supply of industrial water, excludes value added tax, is recognized when industrial water is supplied to customers.

(iv) Turnover from wastewater treatment plants operation services

Turnover from provision of wastewater treatment plants operation services is recognized when the service is rendered.

(v) Turnover from provision of heating services

Turnover from provision of heating services, excludes value added tax, is recognized when the services is rendered.

As our BOO projects are not service concession arrangements under HK (IFRIC) 12, we do not recognize construction turnover in connection with such projects.

Impairment of assets

For trade and other current receivables carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. Our management estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. Our management bases its estimates on the aging of the receivables, customer credit-worthiness, and past receivable collection history of customers. If the financial conditions of customers were to deteriorate, actual write-offs would be higher than estimated.

Property, plant and equipment, intangible assets and other financial assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to estimate precisely selling prices because quoted market prices for our assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to turnover and amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of turnover and amount of operating costs.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

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Deferred taxation

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The limited exceptions to recognizing deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefits to be utilized. The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Turnover

Our turnover consists of turnover generated from both our BOO and BOT projects. For our BOO projects, turnover is generated from our wastewater treatment services, industrial water supply services and heating services. For our BOT projects, turnover is generated from our wastewater treatment services, the provision of construction services and finance income in connection with the service concession arrangements.

The following table sets forth the amount of our turnover contributed by each of our business segments for the years and periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total
BOO projects										
Wastewater treatment services ⁽¹⁾	171,753	47.5%	256,414	55.5%	242,866	63.3%	74,330	64.6%	76,019	56.8%
Industrial water supply	37,002	10.2%	51,389	11.1%	51,689	13.5%	15,729	13.7%	14,983	11.2%
Heating services ⁽²⁾	—	—	24,601	5.3%	48,945	12.8%	10,870	9.4%	25,892	19.4%
Sub-total	208,755	57.7%	332,404	71.9%	343,500	89.6%	100,929	87.7%	116,894	87.4%
BOT projects										
Construction services	131,067	36.3%	85,661	18.5%	693	0.1%	15	0.0%	—	—
Wastewater treatment services	14,861	4.1%	32,266	7.0%	23,532	6.1%	8,764	7.6%	11,280	8.4%
Finance income	6,761	1.9%	11,929	2.6%	16,081	4.2%	5,418	4.7%	5,558	4.2%
Sub-total	152,689	42.3%	129,856	28.1%	40,306	10.4%	14,197	12.3%	16,838	12.6%
Total	361,444	100.0%	462,260	100.0%	383,806	100.0%	115,126	100%	133,732	100.0%

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- (1) Our turnover from the provision of industrial wastewater treatment services to Tian Tian at Yonghe Haitao Treatment Facility is classified as turnover under BOO projects because our services to Tian Tian are governed by our separate agreement with Tian Tian and are not governed by the relevant BOT agreement pertaining to Yonghe Haitao Treatment Facility (Phase I). We sought and obtained oral consent from the local government of Xintang town in Zengcheng city, Guangdong province, the competent authority according to our PRC legal counsel, regarding our provision of wastewater treatment services to Tian Tian before the commencement of such services in June 2010, and subsequently obtained a written confirmation in March 2011.
- (2) As a complementary business of our BOO projects, we commenced providing heating services to our customers in Guangzhou Xinzhou Industrial Park in July 2011. "Heating services" is classified under BOO projects because we are responsible for building the gas pipes supplying the heat, retain the ownership of such gas pipes and have the right to operate such gas pipes. In addition, the heating services are provided to the customers of the Guangzhou Xinzhou Industrial Park who are also the customers of our wastewater treatment services at the Guangzhou Xinzhou Industrial Park Treatment Facility. As such, the provision of heating services is considered the complementary services of the BOO project at the Guangzhou Xinzhou Industrial Park Treatment Facility.

The following table sets forth the project model, date of construction commencement and commencement of trial operations for our projects, which contribute to our turnover:

Project name	Project model	Date of construction commencement	Date of trial operation commencement
Guangzhou Xinzhou Industrial Park Treatment Facility (Phase I)	BOO	September 2003	January 2005
Guangzhou Xinzhou Industrial Park Treatment Facility (Phase II)	BOO	May 2008	March 2009
Longmen Xilin Treatment Facility (Phase I)	BOT	May 2008	October 2009
Longmen Xilin Treatment Facility (Phase II)	BOT	January 2009	January 2010
Yonghe Haitao Treatment Facility (Phase I)	BOT	November 2009	October 2010
Yonghe Haitao Treatment Facility (Phase II)	BOT	August 2011	April 2012
Huaihua Tianyuan Treatment Facility (Phase I)	BOT	July 2009	July 2010

We recognize turnover from a BOO project only during its operational phase but from a BOT project during both its construction phase and operational phase.

BOO projects

We render wastewater treatment, industrial water supply, and in Guangzhou Xinzhou Industrial Park Treatment Facility, also heating services, under our BOO projects. We recognize turnover when such services are rendered during the operational phase. We record the amount of turnover recognized from the provision of these services in our consolidated income statements. The unpaid amount of such turnover is recorded as our trade and other receivables in our consolidated statements of financial position. Outsourcing costs related to the construction of our facilities, as well as property, plant and equipment used in providing such services are capitalized as fixed assets. Depreciation of such property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives less their estimated residual value. Unlike BOT projects, the accounting treatment for BOO projects does not involve any estimation of construction turnover.

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For the three financial years ended December 31, 2012, the total volume of wastewater treated under our BOO projects was 124.3 million m³ (including the volume of wastewater treated for the Yinglong Project and for Tian Tian) and the average price charged per m³ was approximately HK\$6.74. For 2010, 2011, 2012 and the four months ended April 30, 2013, turnover from wastewater treatment services under our BOO projects represented 47.5%, 55.5%, 63.3% and 56.8%, respectively, of our total turnover for the respective years. For the three financial years ended December 31, 2012, the total volume of industrial water supplied was 107.1 million m³. For 2010, 2011, 2012 and the four months ended April 30, 2013, turnover from industrial water supply services represented 10.2%, 11.1%, 13.5% and 11.2%, respectively, of our total turnover for the respective years. We commenced our heating services business in July 2011. For 2011, 2012 and the four months ended April 30, 2013, turnover from heating services represented 5.3%, 12.8% and 19.4% of our total turnover, respectively. The increase in turnover from wastewater treatment services under our BOO projects in 2011 compared to 2010 was primarily attributable to the increase in the unit price charged together with the increase in volume for wastewater treatment services by Guangzhou Xinzhou Industrial Park Treatment Facility. The slight decrease in turnover from wastewater treatment services under our BOO projects in 2012 compared to 2011 was primarily attributable to a change in the mix of industrial wastewater being treated, where we treated a larger proportion of wastewater for which we charged a lower fee in line with our pricing policy.

BOT projects

Our BOT projects are considered as service concession arrangements under HK (IFRIC) 12. We recognize turnover during both the construction phase and the operational phase for a BOT project, although we generally only receive payments for our services rendered during the operational phase. Turnover for the construction phase expected to be generated from a BOT project is estimated and valued at the time the relevant contracts for the project are entered into. We engage an independent property valuer to value the construction services, forming a basis for us to estimate the total turnover for the construction phase. For the construction phase, we recognize turnover for construction services under our BOT projects on the basis of the percentage of completion. During the Track Record Period, in determining the percentage of completion for each relevant reporting period, we used the actual construction cost incurred during the period over the total estimated or actual construction cost during the entire construction phase. Our estimation of the expected turnover and cost for the construction phase may change due to a number of factors and necessary adjustments may be required, which may affect our results in subsequent years.

In accordance with paragraph 16 of HK (IFRIC) 12 and other applicable accounting rules and principles, our accounting entries for a BOT project are made as follows:

Construction phase

- Construction turnover is recognized in the consolidated income statement on the basis of the percentage of completion, and a gross amount due from customers for contract work is correspondingly recognized in our consolidated statements of financial position for any amount of such turnover yet to be paid by or billed to our customers. There is generally no tariff payment for services and hence no cash flow during the construction phase. In addition, finance income accrues on the outstanding gross amount due from customers for contract work, using the effective interest method, from the time when we enter into the project agreement with the government to the end of the concession period, including the operational phase.

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Operational phase

- During the operational phase when wastewater treatment services are being provided, we record the amount of turnover from such provision of wastewater treatment services. When tariff payments are received, the total amount received will be accounted for in the cash flow statements. A portion of the received amount is allocated to settle the gross amounts due from customers for contract work and the trade and other receivables in our consolidated statements of financial position. Finance income continues to accrue on the outstanding gross amount due from customers for contract work, using the effective interest method, till the end of the concession period.

During the Track Record Period, the total volume of wastewater treated under our BOT projects (excluding the volume of wastewater treated for Tian Tian) was 111.6 million m³ and the average price charged per m³ was approximately HK\$1.12. For 2010, 2011, 2012 and the four months ended April 30, 2013, turnover from construction services under our BOT projects represented 36.3%, 18.5%, 0.2% and nil, respectively, of our total turnover for the respective years. The decrease in the percentage of turnover attributable to construction services for 2011 from 2010 was primarily due to the fact that two facilities under BOT arrangements were constructed in 2010 (excluding Longmen Xilin Treatment Facility (Phase II), the construction of which was substantially completed in 2009), while only one facility under a BOT arrangement was constructed in 2011. There was only a minimal amount of on-going construction services in 2012, resulting in less construction services revenue in 2012. For 2010, 2011, 2012 and the four months ended April 30, 2013, turnover from wastewater treatment services under our BOT projects represented 4.1%, 7.0%, 6.1% and 8.4%, respectively, of our total turnover for the respective years. The increase in the percentage of turnover attributable to wastewater treatment services under our BOT projects for 2011 from 2010 was primarily attributable to the full year contribution to 2011 revenue by Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I), both of which commenced their operation in the second half of 2010. The percentage of our turnover attributable to wastewater treatment services under our BOT projects decreased from 2011 to 2012 because we temporarily suspended providing our services in our Huaihua Tianyuan Treatment Facility from mid-July to October 2012 as a result of the excessive COD level in the pre-treated wastewater supplied by an end user. Treatment of such pre-treated wastewater with a high COD level would increase our treatment costs due to abnormally high levels of raw materials required. In October 2012, we started to partially resume our services. Most of our suspended operations have resumed services since February 2013. We intend to negotiate with the relevant governmental authority to obtain the minimum guaranteed tariff in respect of our suspension of services from mid-July to October 2012 and we are negotiating with the end user for an upward adjustment in the tariff to reflect our treatment of wastewater with a high COD level. As of the Latest Practicable Date, we have not reached a definite agreement with the relevant governmental authority as the authority has yet to obtain internal clearance, and the negotiation with the end user is still on-going. The decrease in turnover resulting from this incident was partially offset by the commencement of operation of our Yonghe Haitao Treatment Facility (Phase II) in April 2012, which contributed to our turnover of wastewater treatment services under BOT projects.

As described above, our finance income under our BOT projects is the amount of interest accrued on the outstanding balance of the gross amounts due from customers for contract work at the prevailing PBOC rate at the time that we enter into the relevant BOT agreement.

Our finance income represented 1.9%, 2.6%, 4.2% and 4.2% of our total turnover for 2010, 2011, 2012 and the four months ended April 30, 2013, respectively.

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During the Track Record Period, we mainly derived revenue from one BOO project, Guangzhou Xinzhou Industrial Park Treatment Facility, but also completed construction of and started generating revenue from three BOT projects. During the Track Record Period, a majority of our revenue was attributable to our BOO projects. We also recognized significant construction services revenue during the construction period of our BOT projects. We only receive actual tariff payments under the BOT projects after the completion of construction, even though relevant construction revenue is recognized before tariff payments and hence there is a timing difference between revenue and cashflow for the BOT projects during the construction period. We expect to operate our current BOT projects under the respective concession agreements with concession terms ranging from 25 to 30 years and continue to receive tariff payments as specified in such agreements during the period. Turnover for construction services under our BOT projects decreased significantly in 2012, as we started construction of the Yonghe Haitao Treatment Facility (Phase II) in August 2011 and completed the project in the first quarter of 2012. As most of the construction work was completed in 2011 and there have been only minimal construction services since then, our turnover for construction services decreased in 2012. In addition, there have been only minimal construction services because we primarily provide industrial wastewater treatment services and the BOO project model is generally adopted for industrial wastewater treatment. As we intended to expend more resources and efforts on BOO projects as opposed to BOT projects, the revenue for construction services associated with BOT projects decreased in 2012.

Going forward, we intend to continue our focus on industrial wastewater treatment projects, with BOO as our preferred project model. We will continue to pursue municipal wastewater treatment projects, which are carried out under the BOT project model, if we consider them to be beneficial to us, taking into account factors such as profit margins and developing relationships with local governments. Due to the reasons stated above, our results may fluctuate in tandem with the construction progress of future BOT projects.

Cost of sales

Our cost of sales primarily consists of: (i) raw materials costs; (ii) direct labor costs; (iii) repair and maintenance costs; (iv) costs relating to construction services provided pursuant to the service concession arrangements for our BOT projects; (v) costs relating to heating services; and (vi) overhead costs.

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The following table sets forth a breakdown of our cost of sales for the years and periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total
Raw materials costs . . .	32,942	18.9%	50,710	26.0%	35,396	26.9%	13,156	33.1%	10,583	19.5%
Direct labor costs	3,017	1.7%	5,718	2.9%	6,908	5.3%	2,468	6.2%	2,748	5.1%
Repair and maintenance costs . . .	3,422	1.9%	3,982	2.0%	2,432	1.9%	553	1.4%	4,028	7.4%
Costs relating to construction services	116,601	66.9%	77,681	39.8%	628	0.4%	14	0.03%	—	—
Costs relating to heating services	—	—	23,771	12.2%	46,019	35.0%	10,631	26.8%	24,079	44.4%
Overhead costs	18,437	10.6%	33,449	17.1%	40,028	30.5%	12,926	32.5%	12,828	23.6%
Total	174,419	100.0%	195,311	100.0%	131,411	100.0%	39,748	100.0%	54,266	100.0%

The increase in our costs of sales from 2010 to 2011 was primarily due to the increase in costs of heating services as we commenced providing heating services in July 2011. The decrease in our costs of sales from 2011 to 2012 was primarily due to the decrease in costs relating to construction services, as we completed the Yonghe Haitao Treatment Facility (Phase II) in the first quarter of 2012 and there have been no new construction services since then. The increase in our cost of sales for the four months ended April 30, 2013 was primarily due to the increase in cost relating to heating services, partially offset by the decrease in raw material costs due to a reduction in the average cost of sulphuric acid during the period. The increases in the percentages of cost of sales of raw material costs, direct labor costs and overhead costs as a proportion of our total cost of sales in 2011 from 2010 were primarily attributable to the decrease in the percentages of costs relating to construction services from 2011, partially offset by the commencement of heating services in July 2011.

Raw material costs primarily consist of costs of raw materials, such as chemicals, used in our wastewater treatment and industrial water supply processes. The increase in the costs of raw materials from 2010 to 2011 was attributable to: (i) the full-year operation of two wastewater treatment facilities in 2011, namely, Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I), as compared to the half-year operation in 2010 since they commenced operation only in July 2010; and (ii) an increase in the volume of wastewater treated in 2011, which in turn related to the increase in demand in general. The decrease in the costs of raw materials from 2011 to 2012 was attributable to (i) the decrease in the cost of sulphuric acid, which is a major raw material used in our wastewater treatment, and (ii) the temporary suspension of operation of Huaihua Tianyuan Treatment Facility (Phase I) from mid-July to October 2012 resulting in no raw materials being consumed by that facility during that period and the relatively lower amount of raw materials being consumed during the period in which our services at this facility progressively resumed from October to December 2012. The decrease in the costs of raw materials for the four months ended April 30, 2013 compared to the four months ended April 30, 2012 was mainly attributable to the decrease in the average cost of sulphuric acid by 11% during the period. According to our own calculation, the average cost of sulphuric acid increased by approximately 15% from 2010 to 2011, but decreased by approximately 22% from 2011 to 2012, and approximately 5% from 2012 to April 30, 2013.

Direct labor costs primarily consist of expenses related to wages and overtime payments.

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Repair and maintenance costs primarily consist of expenses relating to the repair and maintenance of our wastewater treatment and industrial water supply facilities. As more of our facilities commence operation and the operating facilities also operate for longer periods of time, our repair and maintenance costs may increase.

Costs relating to construction services represent the outsourcing costs we incur in respect of the provision of construction services performed pursuant to the service concession arrangements under our BOT projects. Such outsourcing costs include the cost of equipment and building materials purchased and provided by our sub-contractors as well as the construction and installation costs in connection with the concession services. The significant costs relating to the construction services in 2010 was primarily due to the construction of Yonghe Haitao Treatment Facility (Phase I) plus the construction of Huaihua Tianyuan Treatment Facility (Phase I) while the significant costs in 2011 was due to the construction of Yonghe Haitao Treatment Facility (Phase II). Since substantially all of the construction of our existing BOT projects had been completed prior to 2012, we provided minimal construction services for BOT projects in 2012.

Costs relating to heating services represent the cost of heat, which we purchase directly from a supplier located near the Guangzhou Xinzhou Industrial Park, and we will in turn allocate such heat to some of our customers in the park. We commenced our heating services in July 2011.

Overhead costs relating to our provision of services include depreciation of our property, plant and equipment used in connection with our BOO projects, operating costs, including utilities, security fee, laboratory test expenses and traveling expenses. The increase in overhead costs during the Track Record Period was primarily due to utilities and depreciation expenses arising from the increase in the number of our subsidiaries and our increased scale of operation.

The following table sets forth a breakdown of our cost of sales for each of our business segments for the years and periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total
BOO projects										
Wastewater treatment services	46,586	26.7%	61,962	31.7%	56,110	42.7%	18,928	47.6%	17,434	32.1%
Industrial water supply	8,173	4.7%	12,959	6.6%	13,777	10.5%	4,313	10.9%	4,669	8.6%
Heating services	—	—	23,771	12.2%	46,019	35.0%	10,631	26.7%	24,079	44.4%
Sub-total	54,759	31.4%	98,692	50.5%	115,906	88.2%	33,872	85.2%	46,182	85.1%
BOT projects										
Construction services	116,601	66.9%	77,681	39.8%	628	0.5%	14	0.04%	—	—
Wastewater treatment services	3,059	1.7%	18,938	9.7%	14,877	11.3%	5,862	14.76%	8,084	14.9%
Sub-total	119,660	68.6%	96,619	49.5%	15,505	11.8%	5,876	14.8%	8,084	14.9%
Total	174,419	100.0%	195,311	100.0%	131,411	100.0%	39,748	100%	54,266	100.0%

Gross profit and gross profit margin

Gross profit represents turnover less cost of sales. Gross profit margin is our gross profit divided by turnover, expressed as a percentage.

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The following table sets forth our gross profit and gross profit margin for each of our business segments and projects for the years indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
BOO projects										
Wastewater treatment services:										
- Guangzhou Xintao	122,478	72.8%	184,926	76.2%	178,553	77.8%	51,538	75.3%	56,838	77.8%
- Yonghe Haitao (Tian Tian) ⁽¹⁾	2,689	78.8%	9,526	69.0%	8,203	61.6%	3,864	65.6%	1,747	59.9%
Industrial water supply:										
- Guangzhou Kaizhou	28,829	77.9%	38,430	74.8%	37,912	73.3%	11,416	72.6%	10,314	68.8%
Heating services	—	—	830	3.4%	2,926	6.0%	239	2.2%	1,813	7.0%
Sub-total	153,996	73.8%	233,712	70.3%	227,594	66.3%	67,057	66.4%	70,712	60.5%
BOT projects										
Construction services:										
- Longmen Xilin	647	9.5%	—	—	—	—	—	—	—	—
- Yonghe Haitao	7,924	10.7%	7,980	9.3%	65	9.4%	1	6.7%	—	—
- Huaihua Tianyuan	5,895	11.8%	—	—	—	—	—	—	—	—
Finance income:										
- Longmen Xilin	1,106	—	1,290	—	1,293	—	432	—	426	—
- Yonghe Haitao	2,847	—	6,329	—	10,470	—	3,542	—	3,719	—
- Huaihua Tianyuan	2,808	—	4,310	—	4,318	—	1,444	—	1,413	—
Wastewater treatment services:										
- Longmen Xilin	4,080	74.5%	4,153	68.3%	4,388	70.1%	1,442	71.2%	1,224	61.1%
- Yonghe Haitao (non-Tian Tian) ⁽²⁾	2,406	78.9%	8,169	69.0%	6,935	61.6%	1,557	65.6%	2,759	59.9%
- Huaihua Tianyuan	5,316	83.9%	1,006	7.0%	(2,668)	(44.3)%	(97)	(2.2)%	(787)	(16.8)%
Sub-total	33,029	21.6%	33,237	25.6%	24,801	61.5%	8,321	58.6%	8,754	52.0%
Total	187,025	51.7%	266,949	57.7%	252,395	65.8%	75,378	65.5%	79,466	59.4%

(1) Gross profit attributable to Tian Tian is calculated by deducting the corresponding cost of sales from our turnover from Tian Tian. Such cost of sales is classified under BOO projects which is consistent with the classification of turnover amount from Tian Tian. Such cost of sales amount of Tian Tian is calculated with reference to the percentage of turnover from Tian Tian over total turnover from wastewater treatment services at Yonghe Haitao Treatment Facility.

(2) Gross profit attributable to non-Tian Tian customers is calculated by deducting the corresponding cost of sales from our turnover from the provision of municipal wastewater treatment services at Yonghe Haitao Treatment Facility. Such cost of sales amount relating to the provision of municipal wastewater treatment services is calculated with reference to the percentage of turnover from the provision of municipal wastewater treatment services over total turnover from wastewater treatment services at Yonghe Haitao Treatment Facility.

Our overall high gross profit margin during the Track Record Period was primarily attributable to the following reasons: (i) our provision of centralized wastewater treatment services to multiple customers, which has allowed us to achieve economies of scale and reduce our treatment costs as we were able to utilize the infrastructure and technologies specific for treating large quantities of

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wastewater from similar sources and containing similar pollutants; and (ii) our ability to increase the unit price charged for our wastewater treatment services in relation to Guangzhou Xinzhou Industrial Park Treatment Facility. We were not required to obtain prior consent or approval from the local government before we increased such unit price.

Our gross profit margin depends upon a combination of factors, including the volume of our services, the prices at which we charge for our services, the cost of raw materials, the construction services as well as our labor and overhead costs.

In general, industrial wastewater treatment has a higher gross profit margin than municipal wastewater treatment services, according to the Ernst & Young Report. During the Track Record Period, our BOT projects involving municipal wastewater treatment services had an average gross profit margin that was comparable to that for our BOO projects involving industrial wastewater treatment services for the same years, or lower in the case of Huaihua Tianyuan during 2011 and 2012. This was primarily attributable to the following:

- Our Longmen Xilin Treatment Facility, which provides municipal wastewater treatment services, had a lower level of pollutants in the wastewater discharged in that particular area and a higher level of tariffs as compared to our other municipal wastewater treatment projects.
- Our Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I), which commenced operations in 2010, were receiving minimum guaranteed tariffs based on a guaranteed minimum treatment volume in 2010. During this period, the facilities were treating a level of wastewater that was lower than what it would have been if the facilities had been at a more mature stage of operations. Less chemicals were used to treat the lower level of wastewater, resulting in lower costs of wastewater treatment. In addition, these facilities provided industrial wastewater treatment services, which had a gross profit margin comparable to that in general for industrial wastewater treatment services.
- Our Huaihua Tianyuan Treatment Facility suspended operation from mid-July to October 2012 due to the excessive pollution of the wastewater supplied to such facility for treatment. As a result of the suspension of operation, we estimate that we failed to recognize a revenue of approximately HK\$5.8 million for the year ended December 31, 2012 which would otherwise have been generated. Before we suspended our operation, our treatment costs increased whilst there was no upward adjustment to the tariff to reflect our treatment of excessively polluted wastewater supplied by an end user. During the suspension period, we continued to incur costs in the amount of HK\$1.4 million, mainly for staff and utilities, while no revenue was generated, resulting in an overall negative gross profit margin in 2012. Nevertheless, we are currently negotiating with the relevant governmental authority for a compensation package in view of the loss of revenue due to the suspension of operation. In addition, we are negotiating with the end user for an upward adjustment in the tariff to reflect our treatment of wastewater with a high COD level. As of the Latest Practicable Date, we had not reached a definite agreement with the relevant governmental authority as the authority has yet to obtain internal clearance, and the negotiation with the end user is still on-going. If our negotiations with the relevant governmental authority and the end-user are unsuccessful, there will be no material adverse impact on us as we are still able to charge the tariff as stipulated in the BOT agreement. Previously, the local government refused to allow us to reject the incoming wastewater or suspend operation immediately if the incoming wastewater contains COD which exceeds the prescribed level. After this incident, we have communicated to our end users and the local government about the importance of ensuring that the incoming wastewater does not contain COD exceeding a prescribed level and the local government undertook to assist us

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in negotiating with the end user should similar incidents happen in the future. Going forward, we will endeavor to ensure that the wastewater supplied to us will not exceed a prescribed level of COD by strictly monitoring the level of COD of the incoming wastewater. In this regard, we will routinely track the COD level via the monitoring devices installed at the pipes through which the incoming wastewater is channeled into our facility, and reject any incoming wastewater which contains COD exceeding the prescribed level. Further, the end user which caused us to suspend operating our Huaihua Tianyuan Treatment Facility (Phase I) from mid-July to October 2012 has signed an undertaking to us confirming that it will avoid supplying wastewater which exceeds the prescribed COD level to us in the future. Such end user has also agreed with us and the local government that it may lower its production level or even suspend its operation if the wastewater it discharges to our Huaihua Tianyuan Treatment Facility exceeds the prescribed COD level.

Based on the above, the Sole Sponsor is of the view that the additional measures taken to avoid similar incidents are adequate and effective.

The overall gross profit margins for the BOO projects were generally higher than the BOT projects during the Track Record Period, primarily because of the accounting treatment for construction services for the BOT projects. BOT projects are considered service concession arrangements under HK (IFRIC) 12 and, as such, the accounting treatment for BOT projects involves revenue recognition for construction services. From our experience, construction services in general have a lower gross profit margin as compared to wastewater treatment services. According to HK (IFRIC) 12, revenue and costs relating to construction services for BOT projects are recognized based on the stage of completion. For the construction of our existing BOT projects, a substantial portion of the construction services was performed during the Track Record Period. Hence, a substantial portion of the total construction turnover and cost for the facilities was recognized during the Track Record Period. As the turnover and costs relating to BOT projects during the Track Record Period were mainly attributed to these projects' construction turnover and construction costs, and with the generally lower gross profit margin for construction services, we recorded a lower overall gross profit margin for BOT projects during the Track Record Period. For our BOO projects, although we also construct the treatment facilities, no such revenue recognition for construction services is required under HK (IFRIC) 12. Construction cost (including the cost of property, plant and equipment) is instead capitalized as fixed assets on our consolidated statements of comprehensive income and depreciated over the estimated useful life. As such, since the accounting treatment of BOO projects does not involve revenue recognition for construction services, the overall gross profit margin of BOO projects is not reduced by such accounting treatment. Accordingly, the overall gross profit margins of our BOO projects were generally higher than that of the BOT projects during the Track Record Period.

According to our calculation with reference to the valuation by an independent valuer, the average gross profit margin for the BOT-related construction services in general is approximately 11.0%. During 2010, the gross profit margin for our construction services, calculated as the average of gross profit margin for the BOT-related construction services was approximately 11.0%. For 2011 and 2012, the gross profit margin for our construction services was 9.3% and 9.4%, respectively, which we believe was lower than the industry average. The gross profit margin was lower than the industry averages due to the inclusion in our cost of sales certain costs for some one-off minor construction works.

Wastewater treatment services under our BOT projects for 2012 had a lower gross profit margin as compared to that for 2011, primarily due to the cost of wastewater treated by Huaihua Tianyuan in 2012 being higher than expected as the quality of incoming wastewater was consistently worse than expected while there was no upward adjustment in the tariff to reflect our increased cost for treatment of excessively polluted wastewater supplied by an end user. This in turn resulted in our temporary suspension of the wastewater treatment services while staff costs continued to be incurred during the period of suspension.

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Huaihua Tianyuan recorded a negative gross profit margin for the four months ended April 30, 2013 in respect of its wastewater treatment services. This was mainly due to certain improvement work made to the Huaihua Tianyuan Treatment Facility in the amount of HK\$1.4 million, which is accounted for as part of our cost of sales for the four months ended April 30, 2013.

Other revenue

Other revenue primarily consists of finance income generated from amounts due from related parties, finance income generated from bank deposits, gain on acquisition of a subsidiary and government subsidy. The finance income which we had received from Guangzhou To Kee during the Track Record Period was not interest charged on our advances to Guangzhou To Kee but was instead a compensatory fee imposed on Guangzhou To Kee for late repayment of the amount due from Guangzhou To Kee to Guangzhou Xintao and Guangzhou Kaizhou.

The following table sets forth a breakdown of our other revenue for the years and periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total
Finance income generated from amounts due from related parties	8,958	59.9%	1,954	47.3%	—	—	—	—	—	—
Finance income generated from bank deposits	77	0.5%	149	3.6%	133	32.4%	79	100.0%	10	11.6%
Gain on acquisition of a subsidiary	5,592	37.4%	—	—	—	—	—	—	—	—
Others ⁽¹⁾	338	2.2%	2,030	49.1%	277	67.6%	—	—	76	88.4%
Total	14,965	100.0%	4,133	100.0%	410	100.0%	79	100.0%	86	100.0%

(1) For 2010, “others” consisted mainly of a subsidy of HK\$299,000 received from the local government of Longmen County, Guangdong province, in connection with our installation of an on-line monitoring system for our Longmen Xilin Treatment Facility for the relevant environmental protection authority to monitor the quality of the wastewater discharged by such facility. For 2011, “others” mainly consisted of a subsidy of HK\$1.8 million received from the Economics, Trade and Technology Information Bureau and Environmental Protection Administration of Zengcheng City for the improvement of the wastewater treatment system for our Guangzhou Xintao Wastewater Treatment Facility. For 2012, “others” mainly consisted of a tax rebate of approximately HK\$110,000 from the PRC local tax bureau in relation to previous dividend distribution from PRC subsidiaries to Xi Zhou Enterprises and a subsidy of approximately HK\$89,000 from the local government of Guangyuan City, Sichuan province to Guangyuan Xizhou for its status as a foreign owned enterprise.

For 2010, the gain on acquisition of a subsidiary of HK\$5.6 million was attributable to the acquisition of our Huaihua Tianyuan in January 2010. As the purchase consideration for Huaihua Tianyuan was less than the fair value of identifiable assets and liabilities acquired, we recognized a gain from such acquisition.

General and administrative expenses

General and administrative expenses primarily consist of: (i) salaries, welfare and other staff benefits; (ii) depreciation of property, plant and equipment for office use and amortization of lease

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prepayment relating to land use rights and our wastewater treatment plants operating rights; (iii) office expenses; (iv) marketing expenses; (v) professional fees and expenses arising from our proposed listing in 2011 and the Global Offering; (vi) environmental compliance costs; (vii) research and development expenses; and (viii) other administrative expenses.

The following table sets forth a breakdown of our administrative expenses for the years and periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total
Salaries, welfare and benefits	4,645	14.9%	8,297	20.6%	10,368	46.6%	3,626	54.6%	4,471	39.7%
Depreciation and amortization	925	3.0%	1,068	2.6%	1,190	5.4%	381	5.7%	424	3.8%
Office expenses	1,393	4.5%	1,302	3.2%	1,224	5.5%	346	5.2%	338	3.0%
Marketing expenses	1,342	4.3%	2,326	5.8%	2,203	9.9%	739	11.1%	802	7.1%
Professional fees and expenses arising from our proposed listing	11,908	38.1%	23,782	58.9%	5,007	22.5%	880	13.2%	4,047	36.0%
Environmental compliance costs ⁽¹⁾	8,178	26.1%	795	2.0%	811	3.7%	331	5.0%	632	5.6%
Research and development expenses	—	—	376	0.9%	555	2.5%	158	2.4%	311	2.8%
Others ⁽²⁾	2,834	9.1%	2,428	6.0%	875	3.9%	186	2.8%	229	2.0%
Total	31,225	100.0%	40,374	100.0%	22,233	100.0%	6,647	100.0%	11,254	100.0%

(1) Environmental compliance costs represented costs for our compliance with applicable environmental laws and regulations. For 2010, environmental compliance costs primarily consisted of the payment of HK\$5.7 million for afforestation works related to our Yonghe Haitao Treatment Facility (Phase I), which was required under the relevant BOT agreement, and wastewater discharge fees of HK\$2.4 million. For 2011 and 2012, environmental compliance costs represented wastewater discharge fees. The wastewater discharge fees were paid in connection with the volume of wastewater discharged by Guangzhou Xinzhou Industrial Park Treatment Facility. Due to the delay in administrative processing by the local government, we received the invoices in connection with the wastewater discharge fees for 2008 and 2009 only in 2010 which also explained the larger amount in 2010 compared with those in 2011 and 2012. As such, the payment for such wastewater discharge fees in connection with the volume of wastewater discharged in 2008, 2009 and 2010 was made only in 2010. We did not make a provision for such amounts in 2009 because there was no objective basis upon which a forecast of our wastewater discharge fees could be made, as the COD level of our discharged wastewater is variable. Our wastewater discharge fees are calculated based on actual discharge volume and the actual COD level of our discharged wastewater. While we have records of the actual discharge volume, records of the actual COD level of our discharged wastewater are kept by the local government and not accessible by us. Calculating the wastewater discharge fees based on the maximum allowable COD level to be discharged as shown in our Pollutant Discharge Permit would not reflect a fair estimation, as we have historically been able to achieve a lower COD level than such maximum amount.

(2) “Others” in 2010 primarily consisted of an incentive payment of HK\$2.3 million paid to Shenzhen Jialinyuan, a non-controlling shareholder of one of our subsidiaries, Huaihua Tianyuan. The amount is mainly for facilitating the subsidiary to enter into a service agreement with a customer during 2010. This incentive payment was not related to our acquisition of Huaihua Tianyuan. “Others” in 2011 and 2012 consisted of miscellaneous, primarily one-off expenses, certain local taxes, rental expenses and management fees. The larger amount in 2011 was due to the refund of finance income to Guangzhou To Kee amounting to approximately HK\$695,000, which was one-off in nature.

For 2010 and 2011, our professional fees of HK\$11.9 million and HK\$23.8 million, respectively, were primarily attributable to legal and professional fees incurred in connection with our proposed listing in 2011. For 2012, our professional fees of HK\$5.0 million was primarily attributable to

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financial audit and other consultancy fees in relation to the assessment of parameters in relation to our new wastewater treatment facilities. For the four months ended April 30, 2013, our professional fees of HK\$4.0 million were primarily attributable to legal and professional fees and expenses incurred in connection with the Global Offering.

Other operating expenses

Other operating expenses primarily consist of losses arising from disposal of property, plant and equipment.

The following table sets forth a breakdown of our other operating expenses for the years and periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2010		2011		2012		2012		2013	
	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total	HK\$'000	% of Total
Losses arising from disposal of property, plant and equipment	915	50.3%	—	—	2,603	79.7%	2,603	99.8%	—	—
Environmental non-compliance penalty ⁽¹⁾	404	22.2%	—	—	—	—	—	—	—	—
Others ⁽²⁾	499	27.5%	658	100.0%	661	20.3%	6	0.2%	2	100%
Total	1,818	100.0%	658	100.0%	3,264	100.0%	2,609	100.0%	2	100%

(1) The environmental non-compliance penalty in 2010 relates to the alleged violation of the wastewater discharge standard and illegal discharge of untreated wastewater in 2009 by Guangzhou Xintao, and was originally paid by the Controlling Shareholder on behalf of our Company on December 4, 2009. Such outstanding amount is reflected in the amounts due to related parties as of December 31, 2010 and was settled in April 2011.

(2) For 2010, “others” primarily consisted of business taxes and stamp duty on finance income derived from amounts due from Guangzhou To Kee. For 2011 and 2012, “others” mainly consisted of the sponsorship expenses paid to Sun Yat-Sen University for the CT Environmental Scholarship. For details, please refer to the section headed “Business — Research and Development” in this prospectus.

Finance costs

Finance costs primarily consist of interest expenses on our bank borrowings. For 2010, 2011, 2012 and for the four months ended April 30, 2013, we incurred finance costs of HK\$17.7 million, HK\$26.4 million, HK\$37.0 million and HK\$10.1 million, respectively.

Income tax

Our income tax represents enterprise income tax expenses, withholding tax expenses payable on undistributed profits to non-PRC residents by our PRC subsidiaries, and tax effect of temporary differences on revenue recognition.

For the year 2010, 2011 and 2012, Guangzhou Xintao and Guangzhou Kaizhou enjoyed a 50% reduction in enterprise income tax. Without any further tax exemptions or reductions, such subsidiaries will be subject to the uniform enterprise income tax rate of 25% from 2013 onwards. Furthermore, currently, the wastewater treatment income derived from each of our Longmen Xilin Treatment Facility, Yonghe Haitao Treatment Facility (Phase I and Phase II) and Huaihua Tianyuan Treatment Facility (Phase I) is exempt from enterprise income tax for three years commencing from

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the first year they start to provide services. In addition, Guangzhou Xintao applied for the status of high and new technology enterprise in 2012 and it was granted such status in November 2012, subject to renewal before the expiry of such status in 2015. As a result of receiving such status, Guangzhou Xintao will enjoy a reduced enterprise income tax rate of 15% for 2013 and 2014.

Guangzhou Kaizhou, Guangzhou Xintao and Guangzhou Haitao are restricted by certain covenants in their loan agreements from making distributions to their respective shareholders. Our PRC subsidiaries may declare dividends to non-PRC residents. According to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident will be liable for a withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong resident is the beneficial owner and holds 25% or more of the equity interest of the PRC enterprise. Furthermore, pursuant to the EIT Law and its implementation rules, dividends receivable by non-PRC corporate resident from PRC enterprises are subject to a withholding income tax at 10% for profits earned since January 1, 2008. For more details, please refer to the section headed “Risk Factors — Risks Relating to Business Operations in the PRC — We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business” in this prospectus.

RESULTS OF OPERATIONS

The following table sets forth selected data from our consolidated statements of comprehensive income for the years presented, which have been derived from, and should be read in conjunction with, our accountants’ report included as Appendix I to this prospectus.

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover	361,444	462,260	383,806	115,126	133,732
Cost of sales	(174,419)	(195,311)	(131,411)	(39,748)	(54,266)
Gross profit	187,025	266,949	252,395	75,378	79,466
Other revenue	14,965	4,133	410	79	86
General and administrative expenses	(31,225)	(40,374)	(22,233)	(6,647)	(11,254)
Other operating expenses	(1,818)	(658)	(3,264)	(2,609)	(2)
Profit from Operations	168,947	230,050	227,308	66,201	68,296
Finance costs	(17,689)	(26,388)	(36,984)	(12,101)	(10,097)
Share of profit of an associate	—	—	23,166	4,664	3,916
Profit before taxation	151,258	203,662	213,490	58,764	62,115
Income tax	(24,956)	(38,392)	(36,140)	(10,027)	(12,743)
Profit for the year/period	126,302	165,270	177,350	48,737	49,372
Attributable to:					
- Equity holders of our Company	120,874	164,514	177,229	48,698	49,327
- Non-controlling interests	5,428	756	121	39	45
Profit for the year/period	126,302	165,270	177,350	48,737	49,372
Gross profit margin⁽¹⁾	51.7%	57.7%	65.8%	65.5%	59.4%
Net profit margin⁽²⁾	34.9%	35.8%	46.2%	42.3%	36.9%

(1) Calculated as gross profit divided by turnover.

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(2) Calculated as profit for the year/period divided by turnover.

REVIEW OF HISTORICAL OPERATING RESULTS

Four months ended April 30, 2013 compared to four months ended April 30, 2012

Turnover. Our turnover increased by 16.2% to HK\$133.7 million for the four months ended April 30, 2013 from HK\$115.1 million for the four months ended April 30, 2012. Our turnover increased primarily due to the increase in turnover generated from heating services and wastewater treatment services.

- *BOO project — Wastewater treatment services* — Turnover for wastewater treatment services under our BOO projects increased by 2.2% to HK\$76.0 million for the four months ended April 30, 2013 from HK\$74.3 million for the four months ended April 30, 2012, primarily due to a change in the mix of industrial wastewater being treated, where we treated a larger proportion of wastewater for which we charged a higher fee in line with our pricing policy.
- *BOO project — Heating services* — Turnover for heating services under our BOO projects increased by 137.6% to HK\$25.9 million for the four months ended April 30, 2013 from HK\$10.9 million for the four months ended April 30, 2012, primarily due to the ramping up of our heating services.
- *BOT project — Wastewater treatment services* — Turnover for wastewater treatment services under our BOT projects increased by 28.4% to HK\$11.3 million for the four months ended April 30, 2013 from HK\$8.8 million for the four months ended April 30, 2012, primarily due to the commencement of the Yonghe Haitao Treatment Facility (Phase II) in April 2012, which in turn only generated a turnover in April for the four months ended April 30, 2012. In contrast, Yonghe Haitao Treatment Facility (Phase II) generated a turnover during the whole of the four months ended April 30, 2013.

Cost of sales. Our total cost of sales increased by 36.5% to HK\$54.3 million for the four months ended April 30, 2013 from HK\$39.7 million for the four months ended April 30, 2012, primarily due to the increase in the costs relating to heating services as a result of the increase in the amount of heat procured from the supplier following the ramping up of our heating services. Such increase was partially offset by the decrease in the costs of raw materials resulting from the decrease in the average cost of sulphuric acid.

Gross profit and gross profit margin. Our gross profit increased by 5.4% to HK\$79.5 million for the four months ended April 30, 2013 from HK\$75.4 million for the four months ended April 30, 2012, primarily as a result of the factors described above.

Our overall gross profit margin decreased to 59.4% for the four months ended April 30, 2013 from 65.5% for the four months ended April 30, 2012, primarily due to the increase in the proportion of turnover from the heating services segment, since heating services in general have a lower gross profit margin compared to wastewater treatment services.

Other revenue. Our other revenue increased by 8.9% to HK\$0.86 million for the four months ended April 30, 2013 from HK\$0.79 million for the four months ended April 30, 2012. Our other revenue represented, amongst others, finance income generated from bank deposits and there was no material fluctuation in the amount of our other revenue.

General and administrative expenses. Our general and administrative expenses increased by 71.2% to HK\$11.3 million in the four months ended April 30, 2013 from HK\$6.6 million for the four months ended April 30, 2012. This was primarily due to the increase in professional fees and expenses incurred in connection with the Global Offering.

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Other operating expenses. Our other operating expenses decreased by 99.9% to HK\$2,000 for the four months ended April 30, 2013 from HK\$2.6 million for the four months ended April 30, 2012, primarily due to the losses arising from the disposal of property, plant and equipment in 2012, which was one-off in nature. For the four months ended April 30, 2013, there was no similar disposal.

Finance costs. Our finance costs decreased by 16.6% to HK\$10.1 million for the four months ended April 30, 2013 from HK\$12.1 million for the four months ended April 30, 2012, primarily due to the partial repayment of our bank borrowings.

Share of profit of an associate. Our share of profit of an associate decreased by 17.0% from HK\$4.7 million for the four months ended April 30, 2012 to HK\$3.9 million for the four months ended April 30, 2013, primarily due to a bank arrangement services fee incurred for the four months ended April 30, 2013 relating to the drawdown of bank borrowings for Guangzhou Yinglong with the carrying amount of HK\$249.6 million as of April 30, 2013.

Profit before taxation. Our profit before taxation increased by 5.7% to HK\$62.1 million for the four months ended April 30, 2013 from HK\$58.8 million for the four months ended April 30, 2012, primarily due to the factors described above.

Income tax. Our income tax increased by 27.1% to HK\$12.7 million for the four months ended April 30, 2013 from HK\$10.0 million for the four months ended April 30, 2012, which was primarily due to an increase in the provision for PRC income tax as a result of the increase in the enterprise income tax rate for certain subsidiaries. Accordingly, our effective tax rate, calculated as income tax divided by profit before taxation, increased to 20.5% for the four months ended April 30, 2013 from 17.1% for the four months ended April 30, 2012.

Profit for the four-month period. Our profit for the four-month period increased by 1.3% to HK\$49.4 million for the four months ended April 30, 2013 from HK\$48.7 million for the four months ended April 30, 2012, primarily as a result of the factors described above.

Net profit margin. Our net profit margin decreased to 36.9% for the four months ended April 30, 2013 from 42.3% for the four months ended April 30, 2012. Such decrease was mainly attributable to the increase in the professional fees and expenses incurred in connection with the Global Offering and the increase in the proportion of the turnover from the heating services segment.

2012 Compared to 2011

Turnover. Our turnover decreased by 17.0% to HK\$383.8 million in 2012 from HK\$462.3 million in 2011. Our turnover decreased primarily due to a decrease in turnover generated from construction services and wastewater treatment services, partially offset by an increase in turnover generated from heating services and finance income.

- **BOO project — Wastewater treatment services** — Turnover for wastewater treatment services under our BOO projects decreased by 5.3% to HK\$242.9 million in 2012 from HK\$256.4 million in 2011, primarily due to a change in the mix of industrial wastewater being treated, where we treated a larger proportion of wastewater for which we charged a lower fee in line with our pricing policy.
- **BOO project — Industrial water supply** — Turnover for industrial water supply services under our BOO projects remained stable, increasing to HK\$51.7 million in 2012 from HK\$51.4 million in 2011.
- **BOO project — Heating services** — Turnover for heating services under our BOO projects increased by 99.0% to HK\$48.9 million in 2012 from HK\$24.6 million in 2011, primarily due to our provision of heating services for the full year of 2012, but only for six months from July to December in 2011.
- **BOT project — Construction services** — Turnover for construction services under our BOT projects decreased by 99.2% to HK\$0.7 million in 2012 from HK\$85.7 million in 2011, as

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we started construction of the Yonghe Haitao Treatment Facility (Phase II) in July 2011 and completed the project in the first quarter of 2012. As most of the construction work was completed in 2011 and there have been minimal new construction services since then, our turnover for construction services decreased in 2012.

- *BOT project — Wastewater treatment services* — Turnover for wastewater treatment services under our BOT projects decreased by 27.1% to HK\$23.5 million in 2012 from HK\$32.3 million in 2011, primarily due to the temporary suspension of operation of Huaihua Treatment Facility (Phase I) from mid-July to October 2012, which was partially offset by revenue from the commencement of trial operation of our Yonghe Haitao Treatment Facility (Phase II) in January 2012.

Cost of sales. Our total cost of sales decreased by 32.7% to HK\$131.4 million in 2012 from HK\$195.3 million in 2011, primarily due to the decrease in the costs relating to the construction services in 2012 as there were minimal construction services, and, to a lesser extent, the decrease in raw materials costs. Such decrease was primarily offset by: (i) an increase in direct labor costs due to an increase in the general level of wages in the PRC, (ii) an increase in the costs relating to heating services as a result of costs relating to the ramping up of our heating services.

Gross profit and gross profit margin. Our gross profit decreased by 5.5% to HK\$252.4 million in 2012 from HK\$266.9 million in 2011, as a result of the factors described above.

Our overall gross profit margin increased to 65.8% in 2012 from 57.7% in 2011, primarily due to a decrease in the percentage of turnover attributable to construction services in 2012, as construction services in general have a lower gross profit margin compared to wastewater treatment services.

Other revenue. Our other revenue decreased by 90.1% to HK\$0.4 million in 2012 from HK\$4.1 million in 2011. The higher amount of other revenue in 2011 was primarily due to one-off subsidies received from the local government in that year.

General and administrative expenses. Our general and administrative expenses decreased by 45.0% to HK\$22.2 million in 2012 from HK\$40.4 million in 2011. There were substantial expenses incurred for the proposed listing recorded in 2011 but no such expenses were recorded in 2012.

Other operating expenses. Our other operating expenses increased to HK\$3.3 million for 2012 from HK\$0.7 million for 2011, primarily due to the loss arising from disposal of property, plant and equipment as a result of disposals of old equipment based on our annual review of our equipment.

Finance costs. Our finance costs increased by 40.2% to HK\$37.0 million for 2012 from HK\$26.4 million for 2011, primarily due to an increase in interest costs as a result of increased bank borrowings in 2012, partially offset by the interest expense capitalized into properties under development.

Share of profit from an associate. In 2011, we acquired a 46% interest in Guangzhou Yinglong, our associate, which owns the Yinglong Project. We first recorded our share of the profit from Guangzhou Yinglong in 2012 in the amount of HK\$23.2 million.

Profit before taxation. Our profit before taxation increased by 4.8% to HK\$213.5 million in 2012 from HK\$203.7 million for 2011, primarily due to the factors described above.

Income tax. Our income tax decreased by 5.90% to HK\$36.1 million for 2012 from HK\$38.4 million for 2011, which was in line with a decrease in turnover from wastewater treatment operation services and construction services primarily due to the recognition of a larger amount of deferred tax in 2011 compared to 2012 relating to the recognition of construction revenue of Yonghe Haitao Treatment Facility (Phase II). Accordingly, our effective tax rate, calculated as income tax divided by profit before taxation, decreased to 16.9% in 2012 from 18.9% in 2011.

Profit for the year. Our profit for the year increased by 7.3% to HK\$177.4 million in 2012 from HK\$165.3 million in 2011, primarily as a result of the factors described above.

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Net profit margin. Our net profit margin increased to 46.2% in 2012 from 35.8% in 2011. Such increase was mainly attributable to a decrease in the percentage of turnover attributable to construction services and share of profit of an associate as mentioned above, the effect of which was partially offset by an increase in other operating expenses and finance costs.

2011 Compared to 2010

Turnover. Our turnover increased by 27.9% to HK\$462.3 million in 2011 from HK\$361.4 million in 2010. Our turnover increase was primarily attributable to the increase in turnover generated from wastewater treatment and industrial water supply services, partially offset by a decrease in turnover from construction services.

- **BOO project — Wastewater treatment services** — Turnover for wastewater treatment services under our BOO projects increased by 49.2% to HK\$256.4 million in 2011 from HK\$171.8 million in 2010, primarily due to an increase in the average unit price of our services charged to our customers, and the increase in demand for wastewater treatment services, which resulted in an increase in the volume of wastewater treated.
- **BOO project — Industrial water supply** — Turnover for industrial water supply services under our BOO projects increased by 38.9% to HK\$51.4 million in 2011 from HK\$37.0 million in 2010, primarily due to the increase in demand for industrial water from our customers.
- **BOO project — Heating services** — We commenced providing heating services in July 2011 and first recorded revenue for such services in 2011.
- **BOT project — Construction services** — Turnover for construction services under our BOT projects decreased by 34.6% to HK\$85.7 million in 2011 from HK\$131.1 million in 2010, primarily due to the completion of construction of our two facilities in 2010, namely Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I), but the construction of only one facility in 2011, namely Yonghe Haitao Treatment Facility (Phase II).
- **BOT project — Wastewater treatment services** — Turnover for wastewater treatment services under our BOT projects increased by 116.8% to HK\$32.3 million in 2011 from HK\$14.9 million in 2010, primarily due to the commencement of operation of Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I) in the second half of 2010, resulting in a full-year contribution to the turnover in 2011.

Cost of sales. Our total cost of sales increased by 12.0% to HK\$195.3 million in 2011 from HK\$174.4 million in 2010, primarily due to the full-year operational costs recorded from Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I) in 2011 while they were only in operation for not more than six months in 2010. Such increase was partially offset by the decrease in construction costs, which was in line with the trend of decreased turnover from construction services.

Gross profit and gross profit margin. Our gross profit increased by 42.7% to HK\$266.9 million in 2011 from HK\$187.0 million in 2010, as a result of the factors described above.

Our overall gross profit margin increased to 57.7% in 2011 from 51.7% in the 2010, primarily due to the decrease in the percentage of turnover attributable to construction services for 2011, as our construction services in general have a lower gross profit margin compared to our wastewater treatment services.

Other revenue. Our other revenue decreased by 72.7% to HK\$4.1 million in 2011 from HK\$15.0 million in 2010, partially due to the one-off gain on the acquisition of Huaihua Tianyuan Treatment Facility in January 2010 of HK\$5.6 million for 2010. There was no similar gain for 2011.

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General and administrative expenses. Our general and administrative expenses increased by 29.5% to HK\$40.4 million in 2011 from HK\$31.2 million in 2010, primarily due to the substantial expenses incurred for the proposed listing in 2011, as well as our increased operation scale due to the full-year operation of the Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I) in 2011.

Other operating expenses. Our other operating expenses decreased to HK\$0.7 million for 2011 from HK\$1.8 million for 2010, as there were losses from the disposal of property, plant and equipment in 2010 due to our annual review of our equipment. No similar disposal was made in 2011.

Finance costs. Our finance costs increased by 49.2% to HK\$26.4 million for 2011 from HK\$17.7 million for 2010, primarily due to the increase in interest costs as a result of increased bank borrowings in 2011.

Profit before taxation. Our profit before taxation increased by 34.6% to HK\$203.7 million in 2011 from HK\$151.3 million for 2010, primarily due to factors described above.

Income tax. Our income tax increased by 53.6% to HK\$38.4 million for 2011 from HK\$25.0 million for 2010, which was in line with the increase in turnover from wastewater treatment services and industrial water supply services. Our effective tax rate, calculated as income tax divided by profit before taxation, increased to 18.9% in 2011 from 16.5% in 2010, primarily due to the recognition of substantial amount of expenses relating to our proposed listing in 2011, which are not tax deductible under Hong Kong tax rules.

Profit for the year. Our profit for the year increased by 30.9% to HK\$165.3 million in 2011 from HK\$126.3 million in 2010, primarily as a result of the factors described above.

Net profit margin. Our net profit margin increased to 35.8% in 2011 from 34.9% in 2010. Such increase was mainly attributable to a decrease in the percentage of turnover attributable to construction services as mentioned above, the effect of which was partially offset by a substantial increase in expenses incurred for our proposed listing in 2011 compared with 2010.

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity and capital requirements primarily relate to investments in our projects, acquisition of land use rights, construction of our wastewater treatment and industrial water supply facilities, purchases of equipment, costs and expenses related to the operation and maintenance of our facilities, as well as investments in our research and development capabilities. We have historically met our capital expenditures, working capital and other liquidity requirements principally from cash generated from our operations, bank borrowings and capital contributions from shareholders. Going forward, we expect to fund our foreseeable working capital, capital expenditures and other capital requirements with a combination of various sources, including cash generated from our operations, bank borrowings and the net proceeds from the Global Offering.

Cash Flows

The following table presents selected cash flow data from our consolidated cash flow statements for the years and periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	10,434	122,508	278,610	109,756	42,341
Net cash used in investing activities	(101,173)	(8,487)	(391,502)	(157,980)	(19,872)
Net cash generated from/(used in) financing activities . . .	42,886	(79,183)	71,393	11,898	(22,135)
Cash and cash equivalents at end of the year/period	16,365	51,967	10,463	16,035	10,903

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Net cash generated from operating activities

Net cash generated from operating activities for the four months ended April 30, 2013 was HK\$42.3 million. This amount primarily reflected (i) our profit before taxation of HK\$62.1 million, as adjusted by income statement items with non-operating cash effect of HK\$10.9 million; and (ii) an increase in trade and other payables of HK\$9.8 million, mainly arising from an increase in outstanding amount owed to our supplier for the supply of heat. The cash generated from operating activities was partially offset by (i) an increase in trade and other receivables of HK\$29.1 million mainly due to the late payment from certain local governments and a state-owned enterprise for past due balances relating to our wastewater treatment services, as well as an increase in the prepayments for purchase of equipment related mainly to Sichuan Guangyuan Industrial Park Treatment Facility (Phase I), and (ii) the payment of income tax of HK\$12.7 million.

Net cash generated from operating activities for the four months ended April 30, 2012 was HK\$109.8 million. This amount primarily reflected (i) our profit before taxation of HK\$58.8 million, as adjusted by income statement items with non-operating cash effect of HK\$14.1 million; (ii) an increase in trade and other payables of HK\$43.7 million, which was primarily attributable to the increase in outstanding amount owed to our Controlling Shareholder for the funding requirements of our Hong Kong office; and (iii) a decrease in trade and other receivables of HK\$2.3 million, which was primarily attributable to a decrease in investment deposit which has been subsequently utilized as investment cost in the Yinglong Project, and such decrease was partially offset by the increase in the prepayment relating to the construction of our wastewater and sludge treatment facilities. The cash generated from operating activities was partially offset by payment of income tax of HK\$10.0 million.

Net cash generated from operating activities in 2012 was HK\$278.6 million. This amount primarily reflected (i) our profit before taxation of HK\$213.5 million for 2012, as adjusted by income statement items with non-operating cash effect of HK\$30.4 million; (ii) a decrease in trade and other receivables of HK\$41.7 million, which was primarily attributable to a decrease in investment deposit which has been subsequently utilized as investment cost in the Yinglong Project; and (iii) an increase in trade and other payables of HK\$18.1 million, which was primarily attributable to the increase in outstanding amount owed to our heat supplier for the supply of heat. The cash generated from operating activities was partially offset by the payment of income tax of HK\$28.6 million.

Net cash generated from operating activities in 2011 was HK\$122.5 million. This amount primarily reflected (i) our profit before taxation of HK\$203.7 million, as adjusted by income statement items with non-operating cash effect of HK\$46.7 million; and (ii) an increase in trade and other payables of HK\$27.1 million. The cash generated from operating activities was partially offset by (i) an increase in gross amounts due from customers for contract work of HK\$95.1 million, primarily attributable to construction commencement of our Yonghe Haitao Treatment facility (Phase II); (ii) payment of income tax of HK\$37.3 million; and (iii) an increase in trade and other receivables of HK\$22.1 million, arising from our increased operation scale due to the full-year operation of the Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I) in 2011.

Net cash generated from operating activities in 2010 was HK\$10.4 million. This amount primarily reflected (i) our profit before taxation of HK\$151.3 million, as adjusted by income statement items with non-operating cash effect of HK\$9.2 million; (ii) an increase in trade and other payables of HK\$68.3 million, which was primarily attributable to the increase in outstanding amount owed to our sub-contractors for the construction services performed in connection with Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I); and (iii) an increase in the amount due to related parties of HK\$15.4 million, primarily due to the advance from Shenzhen Jialinyuan, which in turn was mainly for payment of certain construction costs in connection with Huaihua Tianyuan Treatment Facility (Phase I). The cash generated from operating activities was

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partially offset by: (i) an increase in gross amounts due from customers for contract work of HK\$176.9 million, primarily attributable to the completion of Yonghe Haitao Treatment Facility (Phase I) and Huaihua Tianyuan Treatment Facility (Phase I); (ii) an increase in trade and other receivables of HK\$29.8 million, which was in line with the increased turnover in 2010; and (iii) the payment of income tax of HK\$11.7 million.

Net cash used in investing activities

Net cash used in investing activities for the four months ended April 30, 2013 was HK\$19.9 million, primarily as a result of purchases of property, plant and equipment of HK\$75.6 million, partially offset by the repayment from a related party of HK\$55.7 million.

Net cash used in investing activities for the four months ended April 30, 2012 was HK\$158.0 million, primarily as a result of advances to a related party of HK\$98.3 million, purchases of property, plant and equipment of HK\$28.8 million, and our investment in Guangzhou Yinglong of HK\$78.6 million, partially offset by the settlement of the investment deposit of HK\$47.8 million paid in 2011 in relation to our investment in Guangzhou Yinglong.

Net cash used in investing activities in 2012 was HK\$391.5 million, primarily as a result of (i) payment for the purchase of property, plant and equipment of HK\$249.5 million relating to our construction of Yonghe Haitao Treatment Facility (Phase III) and the construction of certain sludge treatment facilities, (ii) advances to a related party of HK\$111.2 million relating to their business development and operation; (iii) our investment in Guangzhou Yinglong of HK\$78.6 million. Net cash used in investing activities in 2012 was partially offset by the settlement of the investment deposit of HK\$47.8 million paid in 2011 in relation to our investment in Guangzhou Yinglong.

Net cash used in investing activities in 2011 was HK\$8.5 million, primarily as a result of (i) payment for the purchase of property, plant and equipment of HK\$147.2 million relating to our construction of facilities related to our heating services, installation of water pipes to connect to customers adjacent to our wastewater treatment facility, and the construction of sludge treatment facilities, and (ii) an investment deposit paid of HK\$122.2 million relating to our investment in Guangzhou Yinglong. Net cash used in investing activities in 2011 was partially offset by repayment from Guangzhou To Kee of HK\$260.9 million.

Net cash used in investing activities in 2010 was HK\$101.2 million, primarily as a result of advances to Guangzhou To Kee of HK\$86.9 million and purchase of property, plant and equipment of HK\$14.4 million.

Net cash generated from/(used in) financing activities

Net cash used in financing activities for the four months ended April 30, 2013 was HK\$22.1 million, primarily as a result of (i) repayment of loans and borrowings of approximately HK\$10.0 million; (ii) interest payments of HK\$12.2 million.

Net cash generated from financing activities four months ended April 30, 2012 was HK\$11.9 million, attributable to primarily the proceeds from loans and borrowings of HK\$73.8 million. The above was partially offset by (i) repayment of bank loans in the amount of HK\$43.6 million; (ii) interest payments of HK\$12.3 million; and (iii) payments for acquisition of non-controlling interest of Huaihua Tianyuan of HK\$6.1 million.

Net cash generated from financing activities in 2012 was HK\$71.4 million, primarily as a result of proceeds from loans and borrowings of HK\$220.9 million. Net cash generated from financing activities in 2012 was partially offset by (i) repayment of bank loans in the amount of HK\$106.8 million; (ii) interest payments of HK\$37.1 million; and (iii) payments for acquisition of non-controlling interest of Huaihua Tianyuan of HK\$6.1 million.

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Net cash used in financing activities in 2011 was HK\$79.2 million, primarily as a result of (i) repayment of loans and borrowings of HK\$254.3 million; (ii) dividend paid to our equity holders of HK\$207.5 million; and (iii) interest payments of HK\$23.4 million. Net cash used in financing activities in 2011 was partially offset by proceeds from new bank borrowings of HK\$403.7 million.

Net cash generated from financing activities in 2010 was HK\$42.9 million, primarily as a result of proceeds from bank loans of HK\$79.7 million. This amount was partially offset by: (i) repayment of principal amounts on bank loans of HK\$19.7 million; and (ii) interest payments of HK\$17.1 million.

WORKING CAPITAL

Taking into account our cash and cash equivalents on hand, the net cash flow from our operating activities, our available borrowing facilities (including the committed renewal of these facilities upon their expiration) and the estimated net proceeds from the Global Offering, our Directors are satisfied that we have sufficient working capital for at least the next 12 months from the date of this prospectus.

NET CURRENT ASSETS

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of April 30,	As of July 31,
	2010	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets					
Inventories	353	758	627	842	1,074
Trade and other receivables	389,854	148,284	263,934	296,589	240,775
Gross amounts due from customers for contract work	12,529	20,996	21,445	21,703	21,845
Cash and cash equivalents	16,365	51,967	10,463	10,903	37,447
Subtotal	419,101	222,005	296,469	330,037	301,141
Current liabilities					
Trade and other payables	118,935	133,969	101,216	174,151	124,447
Loans and borrowings	17,644	67,762	82,039	85,520	86,006
Current taxation	10,542	10,005	12,712	10,048	9,064
Subtotal	147,121	211,736	195,967	269,719	219,517
Net current assets.	271,980	10,269	100,502	60,318	81,624

As of December 31, 2012, we had net current assets of HK\$100.5 million. The key components of our current assets as of such date included mainly trade and other receivables. The key components of our current liabilities as of such date included mainly trade and other payables and loans and borrowings. Our net current assets increased to HK\$100.5 million as of December 31, 2012 from HK\$10.3 million as of December 31, 2011, primarily due to a significant increase in trade and other receivables.

As of April 30, 2013, we had net current assets of HK\$60.3 million. The key components of our current assets as of such date included mainly trade and other receivables and cash and cash equivalents. The key components of our current liabilities as of such date included mainly trade and other payables and the current portion of our bank borrowings. Our net current assets decreased to HK\$60.3 million as of April 30, 2013 from HK\$100.5 million as of December 31, 2012 primarily due to the increase in trade and other payables.

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CERTAIN SELECTED BALANCE SHEET ITEMS

Trade and Other Receivables

Trade and other receivables consist of trade receivables, amounts due from related parties, prepayments and other receivables, which include labor protection costs, consultancy fees, staff advances, prepayments for purchase of equipment, and investment deposits. For turnover that was billed for our BOT projects, we recognize such amount as trade receivables and record it in our consolidated statements of financial position.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	33,226	71,452	76,179	97,703
Amounts due from related parties	350,838	66,724	153,469	157,166
— Trade related	1,856	570	2,010	3,797
— Non-trade related	348,982	66,154	151,459	153,369
Prepayments and other receivables	5,790	10,108	34,286	41,720
Prepayments for purchase of equipment	—	25,081	133,542	140,706
Investment deposits	—	122,166	—	—
Total	<u>389,854</u>	<u>295,531</u>	<u>397,476</u>	<u>437,295</u>

The decrease in our trade and other receivables to HK\$295.5 million as of December 31, 2011 from HK\$389.9 million as of December 31, 2010 was primarily due to a substantial decrease in our amounts due from related parties, which was mainly attributable to repayment from Guangzhou To Kee. The decrease in trade and other receivables was partially offset by an increase in trade receivables resulting mainly from increased turnover from our wastewater treatment services and industrial water supply services and an investment deposit in connection with our investment in Guangzhou Yinglong.

The increase in our trade and other receivables to HK\$397.5 million as of December 31, 2012 from HK\$295.5 million as of December 31, 2011 was primarily due to an increase in prepayments for purchase of equipment, which were mainly related to the commencement of the construction of the Yonghe Haitao Treatment Facility (Phase III) and the Sichuan Guangyuan Industrial Park Treatment Facility (Phase I), as well as an increase in amounts due from related parties. Such increase was partially offset by our investment deposits made for Guangzhou Yinglong in 2011. No such deposit was made in 2012.

The increase in our trade and other receivables to HK\$437.3 million as of April 30, 2013 from HK\$397.5 million as of December 31, 2012 was primarily due to the late payment from certain local governments and a state-owned enterprise for past due balances relating to our wastewater treatment services, as well as an increase in the prepayments for the purchase of equipment. Such prepayments represented the purchase of equipment relating to the Sichuan Guangyuan Industrial Park Treatment Facility (Phase I) in the amount of approximately HK\$75.6 million, and those relating to the Yonghe Haitao Treatment Facility (Phase III) in the amount of approximately HK\$64.5 million. The increase in the prepayments for purchase of equipment was partially offset by the transfer of amounts from trade and other receivables to property, plant and equipment upon the partial completion of construction work of the Yonghe Haitao Treatment Facility (Phase III) and the Sichuan Guangyuan Industrial Park Treatment Facility (Phase I).

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Most of our amounts due from related parties as of April 30, 2013 are non-trade related in nature. They mainly represented advances made to Guangzhou To Kee for its business operation and development. As of the Latest Practicable Date, save for the other receivables from Guangzhou Yinglong, we had fully settled all amounts due to related parties. Our Directors have confirmed that all related party transactions (including recurring and non-recurring transactions) were conducted based on normal commercial terms.

There was no material increase in the proportion of trade receivables from the local government in 2012 compared to those in 2011. This is resulted from the decrease in the trade receivables due to the suspension of operation of the Huaihua Tianyuan Treatment Facility (Phase I) from mid-July to October 2012, which was offset by the trade receivables arising from the commencement of operation of the Yonghe Haitao Treatment Facility (Phase II) in April 2012.

Our trade receivables turnover days were 54.2 days, 71.5 days, 75.8 days and 91.5 days in 2010, 2011, 2012 and the four months ended April 30, 2013, respectively. The trade receivable turnover days were calculated as the ending trade receivable balances for the year, divided by turnover for the year (excluding turnover from construction services and finance income), multiplied by 365 days. The increase in our trade receivables turnover days from 54.2 days in 2010 to 71.5 days in 2011 was primarily due to the increase in the proportion of trade receivables due from the local governments relating to our BOT projects, whose payment was in general slower than that of customers of our BOO projects. The local government is generally required to settle directly to us the trade receivables relating to BOT projects for the services we render within a stipulated timeframe because the local government is a party to our BOT agreements and therefore has the obligation to make payments directly to us. In turn, the various end users, including residential residents and industrial enterprises, have the obligation to pay the local government for the wastewater discharged to our treatment facilities. There was no material fluctuation in trade receivables turnover days in 2012 compared with 2011. The increase in our trade receivables turnover days in 2012 from 75.8 days to 91.5 days for the four months ended April 30, 2013 was primarily due to a change in the payment arrangement of one of our customers, which is a state-owned enterprise (the "SOE"). In the past, the ultimate customer of the SOE paid directly to the local government financial bureau, which would in turn pay to us. However, since December 2012, such payment arrangement was changed and the ultimate customer of the SOE now pays us through the SOE. Such new payment arrangement involving the SOE entails more administrative time on the part of the SOE and settlement of our trade receivables has consequently been delayed.

Our receivables turnover days in respect of the local government were 151.7 days, 172.2 days, 123.1 days and 177.5 days in 2010, 2011, 2012 and the four months ended April 30, 2013, respectively, whereas our receivable turnover days in respect of other customers were 36.2 days, 44.3 days, 59.3 days and 66.4 days in 2010, 2011, 2012 and the four months ended April 30, 2013, respectively. The trade receivables turnover days were longer than our average credit period of 30 days because the local governments generally take longer to settle their trade receivables for BOT projects due to their internal approval process. We understand that such internal approval process includes a tiered process whereby the local government will first conduct a site visit at our wastewater treatment plants to verify the statistics relating to our wastewater treatment services, and then submit the relevant payment requests for the internal approval by various authorized personnel within the governmental hierarchy. According to our understanding, the approved payment requests will then be submitted to the treasury department of the local government which will arrange for settlement after further internal review and approval by various authorized personnel within the department. In addition, we allowed certain customers to settle their trade receivables after the relevant due date, taking into account the payment track record of such customers and whether we would like to cultivate and maintain a long-term relationship with such customers. We did not experience any payment default from our customers in the Track Record Period. In addition, certain customers have settled their trade receivables after the relevant due date. We allowed them to settle their trade receivables after the relevant due date and

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considered such practice acceptable, after taking into account: (i) the settlement history from these customers in the past, (ii) the need to maintain long-term relationship with such customers by allowing some flexibility in the timing of our receipt of their trade receivables, and (iii) the fact that there would be no material adverse financial impact on us for extending their credit period. During the Track Record Period, no impairment loss was made in respect of any trade receivables.

As of July 31, 2013, approximately 67.2% of our trade receivables as of April 30, 2013 had been settled.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	29,479	41,572	49,432	52,542
1 to 3 months	3,564	14,468	14,105	28,194
Over 3 months but within 1 year	183	15,412	12,642	16,967
Total	<u>33,226</u>	<u>71,452</u>	<u>76,179</u>	<u>97,703</u>

It is our policy to grant our customers (other than local governments) a credit period of 30 days. For local government customers, according to our BOT agreements, we generally grant a credit period ranging from 10 to 30 days; however, in practice, for our new BOT projects, due to the relevant government authorities' internal administrative procedures, we generally only receive payment from the local governments in 60 to 120 days.

At the end of each fiscal year, we consider whether full provision for any overdue debts should be made. In making this judgment, we review the carrying amounts of our assets to determine whether there is any indication that those assets have suffered an impairment loss. We estimate impairment losses for bad and doubtful debts resulting from the inability of our customers to make the required payments. We base the estimates on the aging of the receivables, customer credit-worthiness, and any history of write-offs. We periodically review the payment status of our trade and other receivables and take appropriate measures to collect overdue accounts.

During the Track Record Period, no provision for impairment losses in respect of trade and other receivables was recorded at each of the balance dates as we were satisfied with the recoverability of these receivables.

Gross Amounts Due from Customers for Contract Work

Gross amounts due from customers for contract work represent the turnover to be received from construction and bear interest under the BOT arrangement. This amount will be settled by cash tariff payments to be received during the operational phase of the BOT projects. The portion of such amount due within 12 months from a particular balance sheet date is classified as current assets as of that balance sheet date and the remainder as non-current assets. As compared to trade receivables, which represent receivables for all services rendered, including contract work, at the time billings have been made to customers, gross amounts due from customers for contract work represents the gross amount expected to be collected from customers for contract work performed but for which billing has not yet been made. At the time of actual billing to customers, the amount to be billed is transferred from gross amounts due from customers for contract work to trade receivables.

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As of December 31, 2010, 2011 and 2012 and April 30, 2013, the gross amounts due from customers for contract work that are classified as current assets represented 3.0%, 9.5%, 7.2% and 6.6% of our total current assets, respectively. The gross amounts due from customers for contract work that are classified as current assets increased by 68.0% to HK\$21.0 million as of December 31, 2011 from HK\$12.5 million as of December 31, 2010, primarily due to the commencement of the construction of the Yonghe Haitao Treatment facility (Phase II) in 2011. The gross amounts due from customers for contract work that are classified as current assets posted a small increase of 1.9% to HK\$21.4 million as of December 31, 2012 from HK\$21.0 million as of December 31, 2011. The gross amounts due from customers for contract work that are classified as current assets posted a slight increase of 1.4% to HK\$21.7 million as of April 30, 2013 from HK\$21.4 million as of December 31, 2012.

As of December 31, 2010, 2011, 2012 and April 30, 2013, the gross amounts due from customers for contract work that are classified as non-current assets represented 54.4%, 37.5%, 28.9% and 26.2% of our total non-current assets, respectively. The gross amounts due from customers for contract work that are classified as non-current assets increased by 53.8% to HK\$248.0 million as of December 31, 2011 from HK\$161.3 million as of December 31, 2010, primarily due to the construction of our Yonghe Haitao Treatment Facility (Phase II) in 2011. Gross amounts due from customers for contract work that are classified as non-current assets were HK\$244.1 million as of December 31, 2012 compared with HK\$248.0 million as of December 31, 2011. The gross amounts due from customers for contract work that are classified as non-current assets posted a slight increase of 0.5% to HK\$245.4 million as of April 30, 2013 from HK\$244.1 million as of December 31, 2012.

Inventories

Our inventories mainly comprise raw materials consumed during the supply of industrial water and wastewater treatment services. Our inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The following table sets forth information about our inventories as of the dates indicated:

	As of December 31,			As of April 30, 2013
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	353	758	627	842
Total	353	758	627	842

As of July 31, 2013, 96.1% of our inventories as of April 30, 2013 had been used. We did not have significant amounts of inventories during the Track Record Period because, unlike a manufacturing company, we do not have work-in-progress or finished products. In addition, since our raw materials were sourced from a few suppliers located near Guangzhou Xinzhou Industrial Park Treatment Facility and we have readily available alternative suppliers who can offer similar terms as our existing suppliers, we believe there was no need for us to stock up raw materials in advance and hold a significant amount of inventories for our business operations.

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Trade and Other Payables

Trade and other payables consist of trade payables, payables to related parties and other payables. Trade payables primarily relate to our purchases of raw materials from suppliers for use during wastewater treatment and industrial water supply services. Other payables primarily include construction contract payables, payroll payables, accruals, and tax payables.

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of
	2010	2011	2012	April 30, 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	9,447	23,366	37,452	47,666
Other payables	32,351	66,519	48,844	55,641
Payables to related parties	<u>77,137</u>	<u>44,084</u>	<u>14,920</u>	<u>70,844</u>
Total	<u>118,935</u>	<u>133,969</u>	<u>101,216</u>	<u>174,151</u>

The increase in our trade and other payables to HK\$174.2 million as of April 30, 2013 from HK\$101.2 million as of December 31, 2012 was primarily attributable to: (i) an increase in payables to related parties which mainly represented the advances by our Controlling Shareholder to Xi Zhou Enterprises as equity contribution for Guangyuan Xizhou in April 2013; and (ii) an increase in trade payables which is mainly related to our heating supplier as a result of ramping up of our heating services.

The decrease in our trade and other payables to HK\$101.2 million as of December 31, 2012 from HK\$134.0 million as of December 31, 2011 was primarily attributable to the substantial repayment of the amounts payable to related parties as well as a decrease in other payables, which was mainly due to a decrease in payables to contractors for construction of our wastewater treatment facilities, partially offset by an increase in trade payables. The payables to contractors for construction of wastewater treatment facilities decreased in 2012 was due to the subsequent payments of the payables to contractors relating to projects completed in previous years were settled until 2012. In 2012, there was no substantial increase in new contractors since we did not have many construction projects. In addition, the decrease in other payables was also attributable to the payment of certain professional fees relating to the proposed listing in 2011, a part of which was paid by the end of 2012. The increase in our trade and other payables to HK\$134.0 million as of December 31, 2011 from HK\$118.9 million as of December 31, 2010 was primarily attributable to the commencement of our heating services in July 2011 for which we purchased heat from a supplier.

As of December 31, 2012, the amount of payables to related parties was HK\$14.9 million, which primarily consisted of: (i) an amount of HK\$1.9 million due to Mr. Tsui, our Controlling Shareholder, which mainly represented advances by Mr. Tsui to our Company for operating expenses relating to our Hong Kong office; (ii) an amount of HK\$13.0 million due to Guangzhou To Kee, which mainly represented advances by Guangzhou To Kee for certain of our PRC subsidiaries for their operations.

As of April 30, 2013, the amount of payables to related parties was HK\$70.8 million, which primarily consisted of: (i) an amount of HK\$61.2 million due to Mr. Tsui representing mainly the advances by Mr. Tsui to Xi Zhou Enterprises as equity contribution for Guangyuan Xizhou in April 2013; and (ii) an amount of HK\$9.7 million due to Guangzhou To Kee primarily representing advances by Guangzhou To Kee for the operation of certain of our PRC subsidiaries.

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Our trade payables turnover days were 74.0 days, 85.5 days, 126.5 days and 124.2 days in 2010, 2011 and 2012 and for the four months ended April 30, 2013, respectively. The turnover days for our trade payables were calculated as the ending trade payables for the year, divided by the cost of sales (excluding costs relating to the construction services, direct labor costs and depreciation) in the year, multiplied by 365 days. The increase in our average trade payables turnover days from 74.0 days in 2010 to 85.5 days in 2011 was primarily attributable to the commencement of our heating services in July 2011. The calculation of trade payables turnover days adopted a 365-day parameter, which assumed that we provided our heating services for the full year in 2011, but in fact we only commenced providing such services in July 2011. As a result, our trade payables turnover days in 2011 appeared higher than that of 2010. If we exclude our trade payables relating to our heating services, our trade payable turnover days in 2011 would have been 46.1 days, which is in line with our normal payment term of 30 to 90 days for our suppliers. The increase in trade payable turnover days from 85.5 days in 2011 to 126.5 days in 2012 was mainly due to the fact that our heat supplier issued to us its value-added tax invoice late due to its internal administrative procedures, which in turn delayed our settlement of the relevant trade payables. Before the issue of such value-added tax invoice by the heat supplier, which is in general at a time near our subsequent actual payment, the heat supplier will first issue a payment summary at the end of the month in which heat was actually consumed. Such summary is not an invoice and we do not make any payment solely based on such summary until the actual value-added invoice is sent to us. A value-added tax invoice is required for tax deduction against value-added tax for the heat we purchase. We generally obtain such value-added tax invoice from our heat supplier before making an actual payment in order to ensure that we could produce such invoice required for value-added tax deduction. However, under the relevant accounting principles we are required to reflect in our financial statements the amount of heat we purchased at the time of heat usage (at which time we only received a payment summary instead of the actual value-added tax invoice), rather than at the time when the value-added tax invoice is received. Therefore, we experienced a longer delay between the time of our actual heat usage and the time of actual payment to our heat supplier. The average trade payable turnover days for the four months ended April 30, 2013 was 124.2 days while it was 126.5 days for the year ended December 31, 2012, which was rather stable.

The credit period granted by our suppliers generally ranges from 30 to 90 days.

The following table sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of
	2010	2011	2012	April 30, 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within one month or on demand	4,508	18,161	16,768	19,013
Due after one month but within three months	4,918	1,693	18,379	26,111
Due after three months but within one year	21	3,512	2,305	2,542
Total	<u>9,447</u>	<u>23,366</u>	<u>37,452</u>	<u>47,666</u>

As of July 31, 2013, approximately 51.3% of our trade payables as of April 30, 2013 had been settled. In addition, as of April 30, 2013, approximately 5.3% of our trade payables were due after three months.

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INDEBTEDNESS

Loans and Borrowings

The following table sets forth our outstanding loans and borrowings as of December 31, 2010, 2011, 2012 and as of April 30 and July 31, 2013, respectively:

	As of December 31,			As of	As of
	2010	2011	2012	April 30, 2013	July 31, 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current loans and borrowings	17,644	67,762	82,039	85,520	86,006
Non-current loans and borrowings	301,658	416,701	517,360	510,416	502,069
Total	<u>319,302</u>	<u>484,463</u>	<u>599,399</u>	<u>595,936</u>	<u>588,075</u>

Our long-term borrowings are at various rates linked to the long-term lending rates published by the PBOC. The benchmark one-year bank lending rate published by the PBOC as of December 31, 2010, 2011 and 2012 and April 30, 2013 was 5.81%, 6.56%, 6.00% and 6.00%, respectively. Our bank loans carried effective interest rates between 5.66% and 5.94% as of December 31, 2010, 6.60% and 7.05% as of December 31, 2011, 6.55% and 7.05% as of December 31, 2012 and 6.00% and 7.05% as of April 30, 2013.

As of December 31, 2010, 2011, 2012 and April 30, 2013, all of our loans and borrowings were secured and guaranteed by the charging rights of industrial water supply turnover generated from Guangzhou Kaizhou Water Supply Facility and the charging rights of wastewater treatment turnover generated from Guangzhou Xintao Wastewater Treatment Facility and Yonghe Haitao Treatment Facility (Phase I), our non-current assets, certain independent third parties' non-current assets (such security released in 2011) and our related parties' non-current assets (such security released in 2011).

The table below sets forth the maturity profiles of our bank and other borrowings as of the dates indicated:

	As of December 31,			As of	As of
	2010	2011	2012	April 30, 2013	July 31, 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans					
Within 1 year or on demand.	17,644	32,762	82,039	85,520	86,006
Sub-total	<u>17,644</u>	<u>32,762</u>	<u>82,039</u>	<u>85,520</u>	<u>86,006</u>
After 1 year but within 2 years	19,414	32,762	47,507	53,069	55,882
After 2 years but within 5 years	227,354	118,021	172,119	177,929	180,824
After 5 years	54,890	265,918	297,734	279,418	265,363
Sub-total	<u>301,658</u>	<u>416,701</u>	<u>517,360</u>	<u>510,416</u>	<u>502,069</u>
Loan from a third party within 1 year or on demand.	—	35,000	—	—	—
Total	<u>319,302</u>	<u>484,463</u>	<u>599,399</u>	<u>595,936</u>	<u>588,075</u>

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As of April 30, 2013, our total amount of utilized bank loans was HK\$595.9 million, and we had no un-utilized banking facilities.

Our gearing ratio, as calculated by dividing our total borrowings by our total assets, was 44.6%, 54.8%, 52.5% and 47.1% as of December 31, 2010, 2011, 2012 and April 30, 2013, respectively. Our gearing ratio increased from 44.6% as of December 31, 2010 to 54.8% as of December 31, 2011, primarily due to dividends declared and paid in 2011 in a total amount of HK\$207.5 million, which decreased our total assets for the purpose of calculating our gearing ratio. Our gearing ratio decreased from 52.5% as of December 31, 2012 to 47.1% as of April 30, 2013, primarily due to (i) a decrease in our total debt resulting from our principal repayment in respect of our existing bank borrowings in the absence of any new bank borrowings, and (ii) an increase in the amount of equity attributable to the equity holders of our Company resulting from an increase in our profit for the four-month period.

On May 31, 2011, Xi Zhou Enterprises entered into a loan agreement with Emperor Glory Investments Limited (“Emperor Glory”), a company incorporated in the BVI on May 13, 2011 and an independent third party. Pursuant to the loan agreement, Emperor Glory agreed to lend HK\$35.0 million to Xi Zhou Enterprises at an interest rate of 10.0%, with a maturity of 18 months following the date on which the loan is drawn. The majority of the proceeds from this loan were used to repay amounts due to Mr. Tsui relating to his financial support to our Group in the past. This loan was fully settled in January 2012.

Our Directors have confirmed that there has been no other material adverse change in indebtedness since July 31, 2013.

During the Track Record Period and up to the Latest Practicable Date, except as disclosed above in “— Loans and Borrowings”, we did not have any outstanding loan capital issued or agree to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Historical Capital Expenditures

Our major capital expenditures consist primarily of expenditures to acquire land use rights, construct wastewater treatment facilities and purchase property, plant and equipment.

For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, our expenditures on acquisition of property, plant and equipment and lease prepayments related to BOO projects amounted to HK\$14.4 million, HK\$132.6 million, HK\$61.2 million and HK\$78.1 million, respectively.

For the years ended December 31, 2010, 2011, 2012 and the four months ended April 30, 2013, our cost of construction services related to BOT projects amounted to HK\$116.6 million, HK\$77.7 million, HK\$0.6 million and nil, respectively. The expenditures of Guangzhou Yinglong amounted to approximately HK\$142.1 million during 2012.

These capital expenditures were funded by bank borrowings, funds generated from our operating activities and capital contributions from our shareholders.

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Planned Capital Expenditures

Our planned capital expenditures for the year ending December 31, 2013 are approximately HK\$387.9 million. Our planned capital expenditures primarily relate to construction of wastewater treatment facilities and purchases of property, plant and equipment. We plan to fund our future capital expenditures with cash inflows from operating activities, bank borrowings and net proceeds from the Global Offering. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

Our actual capital expenditures may differ from the amounts set out above due to various factors, including our future cash flows, results of operations and financial condition, changes in China and the world economy, the availability of financing on terms acceptable to us, technical or other problems in obtaining or installing equipment, changes in the regulatory environment in China and other factors. We may also pursue expansion through internal development, acquisitions of existing operations, investments in other businesses, or joint ventures with third parties, which may cause our capital expenditures to increase.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of April 30, 2013, our total capital commitments outstanding in relation to our property, plant and equipment were HK\$305.1 million, of which HK\$99.8 million has been contracted for, and HK\$205.3 million has been authorized but not contracted for. We intend to fund the capital commitments as of April 30, 2013 with net proceeds from the Global Offering, cash flows generated from operating activities and bank borrowings.

Off-Balance Sheet Commitments and Arrangement

On March 25, 2013, in connection with a bank loan in the amount of RMB200 million advanced to Guangzhou Yinglong. Guangzhou Haitao, Guangzhou Xintao, Guangzhou Kaizhou and other shareholders of Guangzhou Yinglong each entered into an agreement with the bank to guarantee the financial obligations of Guangzhou Yinglong for the future development of the Yinglong Project.

Save as disclosed above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our financial information. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity or credit support to us, or engages in leasing, hedging or research and development services with us.

LISTING EXPENSES

We have incurred listing expenses of HK\$37.3 million over the Track Record Period, which have been charged as administrative expenses on our consolidated income statements. We expect to incur further listing expenses in relation to the Global Offering in the amount of approximately HK\$11.9 million, which will be presented as administrative expenses on our consolidated income statements for 2013.

RELATED PARTY TRANSACTIONS

Our Directors have confirmed that during the Track Record Period the terms of the related party transactions (including recurring and non-recurring transactions) were conducted based on normal commercial terms and were no less favorable to us than terms available to or from independent third parties.

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MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including the following:

Commodities Risk

We are exposed to fluctuations in the prices of raw materials used in constructing our treatment facilities, such as steel, aluminum and copper, other base metals and cements, as well as the raw materials we use in our wastewater treatment and industrial water supply process such as sulfuric acid, potassium dihydrogen phosphate, poly aluminum chloride, polyacrylamide, ferrous sulfate, urea, sodium chlorate and hydrochloric acid. We currently do not hedge against commodities risk, which we believe is in line with the PRC wastewater treatment and industrial water supply services industry practice. We purchase most of our raw materials at market prices and such purchase costs are generally accounted for as part of the cost of sales. Accordingly, rising prices of raw materials, to the extent that we cannot pass on such increases to our customers, could adversely affect our financial performance. For further details, please refer to the section headed “Risk Factors — Risks Relating to Our Business — We are dependent on third parties for the supply of equipment and raw materials” in this prospectus.

Interest Rate Risk

We are exposed to interest rate risks, primarily relating to our long-term borrowings. Our long-term borrowings are at various rates linked to the long-term lending rates published by the PBOC. Upward fluctuations in the lending rate published by the PBOC may increase the cost of our financing and adversely affect our turnover and profits. Fluctuations in the lending rate can also lead to significant fluctuations in the fair values of our debt obligations. The benchmark one-year bank lending rate published by the PBOC as of December 31, 2010, 2011, 2012 and April 30, 2013 was 5.81%, 6.56%, 6.00% and 6.00%, respectively. We currently do not use any derivative instruments to hedge our interest rate risk. Please refer to Note 26(c) to the Accountants’ Report included in Appendix I of this prospectus for further details, including a sensitivity analysis with respect to our interest rate risks.

Credit Risk

We are exposed to credit risks primarily arising from trade and other receivables and gross amounts due from customers for contract work. We monitor our exposure to these credit risks on an ongoing basis. Trade receivables represents receivables in respect of turnover from the supply of industrial water and wastewater treatment services, which are typically settled on a monthly basis. In addition, we have gross amounts due from customers for contract work in respect of our BOT arrangements. Our trade receivables are usually due within 30 days from the date of billing and the current portion of the gross amounts due from customers is the portion to be paid within the next 12 months. We review the recoverable amount of each individual trade debt at the end of the reporting period to assess whether any impairment losses should be made. In this regard, our Directors seek to reduce our credit risk.

Trade and other receivable and gross amount due from our five largest customers for contract work in aggregate accounted for approximately 33.7%, 35.7%, 29.4% and 30.3% of the total carrying amounts of trade and other receivables and gross amounts due from customers for contract work, as of December 31, 2010, 2011, 2012 and April 30, 2013, respectively. For our gross amounts due from customers for contract work in respect of our BOT projects, we believe the credit risk is lower in general because the counterparties are mainly local government authorities in China.

We currently have a certain amount of receivables from related parties. However, we intend to settle such receivables before Listing and do not consider the credit risks of the involved related parties to have a significant impact on our business.

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Foreign Exchange Rate Risk

Our functional currency is Renminbi as most of our transactions are settled in Renminbi. However, our consolidated financial information is presented in Hong Kong dollars. Any appreciation or depreciation of Hong Kong dollar against Renminbi will affect our financial position and be reflected in the exchange reserve.

In addition, conversion of Renminbi to foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under this policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The PRC Government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates.

Depreciation of the Renminbi would adversely affect the value of any dividends we pay to our shareholders outside China. Appreciation of the Renminbi, however, would adversely affect the value of the proceeds we will receive from the Global Offering or any capital contribution in foreign currency if they are not converted to Renminbi in a timely manner. Historically, we have not used any financial instruments to hedge against foreign exchange risks.

Inflation

During the last month of 2010, 2011 and 2012, the year-on-year inflation rate in China as measured by the consumer price index was 3.3%, 5.4% and 2.6%, respectively, according to the National Bureau of Statistics of China. We have not been materially and adversely affected by these inflationary pressures. However, if the consumer price index continues to rise and if we are not able to increase the prices of our services in China, our financial condition will be materially and adversely affected.

DIVIDENDS

Subject to the Companies Law, we may declare final dividends in any currency through a general shareholders' meeting, but no dividend shall be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserves set aside from profits which our Directors determine are no longer needed. With the sanction of an ordinary resolution passed by our shareholders, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

We currently do not have a formal dividend policy. The declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon our operating results, financial condition, capital requirements, interests of our shareholders and other factors which our Board may deem relevant.

Our future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in China. PRC law requires that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from the generally accepted accounting principles in other jurisdictions including HKFRS. PRC law also requires a foreign-invested enterprise to transfer at least 10% of its net profit (after offsetting losses in the prior year) to a statutory reserve until the reserve balance reaches 50% of the registered capital of the enterprise. The transfer to its reserve must be made before distribution of dividends to its equity holders. Distributions from our PRC operating subsidiaries may also be restricted if they incur debt or losses or due to PRC law restricting payments of dividends to us or in accordance with any restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our PRC operating subsidiaries may enter into in the future. Pursuant to certain loan agreements entered into by our Group, (i) Guangzhou Kaizhou could not distribute dividends if any overdue

FINANCIAL INFORMATION

payments remain outstanding on the date of the proposed dividend distribution, and (ii) Guangzhou Xintao, Guangzhou Haitao and Guangzhou Yinglong could not distribute any dividends for the term of the relevant loan agreement unless the relevant loan is fully repaid. On May 2, 2013, Guangzhou Xintao, Guangzhou Haitao and Guangzhou Yinglong have each obtained consent from ICBC that they could freely distribute dividends so long as there are no overdue payments under the relevant loans on the date of the proposed dividend distribution. As such, as of the Latest Practicable Date (i.e. subsequent to the lifting of the restrictions on May 2, 2013), Guangzhou Xintao, Guangzhou Haitao, Guangzhou Yinglong and Guangzhou Kaizhou were only subject to the restriction that they could not distribute dividends if any overdue payments remain outstanding on the date of the proposed dividend distribution. With the written consent obtained, the amount of retained earnings recorded in the statutory financial statements for our PRC subsidiaries as of December 31, 2012 that are not subject to such restrictions and are available for distribution amounted to approximately HK\$177.4 million. The covenant restrictions under the relevant loan agreements will expire after the loans are fully repaid under the relevant loan agreements. These restrictions limit the funds available to pay dividends to our Shareholders.

For information relating to the restrictions on the payment of dividends by our PRC subsidiaries and taxes payable on dividends, please refer to the sections headed “Risk Factors — Risks Relating to Business Operations in the PRC — Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries” and “Risk Factors — Risks Relating to Business Operations in the PRC — We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business” in this prospectus.

Our Company did not declare any dividends for 2010 and 2011. Xi Zhou Enterprises declared and paid dividends of HK\$95.0 million, HK\$87.0 million, HK\$6.0 million and HK\$19.5 million on March 11, 2011, April 1, 2011, April 19, 2011 and May 30, 2011, respectively. No dividend has been declared by Xi Zhou Enterprises in respect of the year 2012. The dividends declared represented dividends attributable to the previous financial years. Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our shareholders approximately 20% of any distributable profit in respect of the year ending December 31, 2013 and each year thereafter. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, we will be able to pay our debts as and when they fall due in the ordinary course of business. The aggregate amount of our distributable reserves as of April 30, 2013 was HK\$189.9 million.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following information relating to our unaudited pro forma adjusted net tangible assets is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our net tangible assets as of April 30, 2013 as if it had been taken place on April 30, 2013.

Because the following data is for illustration purposes, it may not give a true picture of our net tangible assets following the Global Offering. It is based on the consolidated net assets as of April 30, 2013 as shown in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Our Consolidated Net Assets as of April 30, 2013⁽¹⁾	Less: Intangible Assets as of April 30, 2013	Estimated Net Proceeds From the Global Offering⁽²⁾	Our Unaudited Pro Forma Adjusted Net Tangible Assets	Unaudited Pro Forma Adjusted Net Tangible Per Share⁽³⁾
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an Offer Price of HK\$1.98 per Share	446,035	8,804	621,717	1,058,948	0.78
Based on an Offer Price of HK\$1.48 per Share	446,035	8,804	456,817	894,048	0.66

Notes:

- (1) The consolidated net assets of our Group as of April 30, 2013 is extracted from the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.48 or HK\$1.98, being the low-end or the high-end of the stated offer price range, per Offer Share after deduction of the underwriting fees and other related expenses payable by our Group, assuming no exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in the preceding paragraphs and on the basis that 1,360,000,000 Shares were in issue (assuming the Shares in issue at the date of this prospectus pursuant to the Capitalization Issue and Global Offering but without taking into account any Shares which may be issued upon exercise of the Over-allotment Option).

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position since April 30, 2013, being the date at which our latest audited financial information was prepared.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the date of this prospectus, they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds of the Global Offering we expect to receive (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised) are estimated to be approximately HK\$621.7 million, assuming an Offer Price of HK\$1.98 per Share, being the high end of the stated Offer Price range or HK\$456.8 million, assuming an Offer Price of HK\$1.48 per Share, being the low end of the stated Offer Price range (or if the Over-allotment Option is exercised in full, HK\$719.7 million, assuming an Offer Price of HK\$1.98 per Share, being the high end of the stated Offer Price range or HK\$530.0 million, assuming an Offer Price of HK\$1.48 per Share, being the low end of the stated Offer Price range).

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.73 per Share, being the midpoint of the stated Offer Price range of HK\$1.48 to HK\$1.98 per Share, the net proceeds of the Global Offering to us would be approximately HK\$539.3 million which we presently plan to use as follows:

- Approximately 69.4%, or approximately HK\$374.3 million, to be used for construction and operation of wastewater treatment and industrial water supply facilities;
- Approximately 10.0%, or approximately HK\$53.9 million, to be used in connection with potential acquisition relating to the wastewater treatment and industrial water supply facilities;
- Approximately 7.4%, or approximately HK\$40.1 million, to be used for expansion into third party sludge treatment business;
- Approximately 3.2%, or approximately HK\$17.1 million, to be used for improving research and development capacity, including developing a prototype and carrying out market research on the development of dyeing sludge biomass fuel; and
- Approximately 10.0%, or approximately HK\$53.9 million, to be used for working capital and general corporate purposes.

The table below sets forth the estimated investment amount to be incurred and the IPO proceeds allocated to the construction and operation of our projects:

Project	Estimated investment amount to be incurred	IPO proceeds allocated
	HK\$ million	HK\$ million
Yonghe Haitao Treatment Facility (Phase III)	39.2	19.7
Huaihua Tianyuan Treatment Facility (Phase II) ⁽¹⁾	80.2	56.7
The Yinglong Project ⁽²⁾⁽³⁾	138.0	78.2
Qingyuan Jingu Treatment Facility ⁽²⁾	89.7	35.0
Guangfozhao Wastewater Treatment Facility ⁽²⁾	110.9	38.8
Sichuan Guangyuan Industrial Park Treatment Facility (Phase I) ⁽²⁾⁽⁴⁾	237.9	142.8
Overall contingency expenses ⁽²⁾	4.3	3.1
	<u>700.2</u>	<u>374.3</u>

FUTURE PLANS AND USE OF PROCEEDS

- (1) Inclusive of a minor portion attributable to the capital expenditure for enhancement and improvement works of Huaihua Tianyuan Treatment Facility (Phase I).
- (2) As of the Latest Practicable Date, there has not been any actual investment made in these relevant projects or actual expenses incurred.
- (3) The remainder of the estimated investment amount to be incurred is expected to be financed by: (a) a bank loan of RMB200 million, which was obtained in April 2013; (b) loans from other shareholders of Guangzhou Yinglong; and (c) internal resources generated from the operations of Guangzhou Yinglong.
- (4) The remainder of the estimated investment amount to be incurred has been financed by the equity contribution from Xi Zhou Enterprises. If the Listing does not consummate, the remainder of the estimated investment amount is expected to be financed by bank borrowings and/or internal resources of our Group.

Through the development of these additional facilities, we intend to continue in expanding our operations and providing wastewater treatment services to customers located in areas beyond Guangdong province. The additional facilities will also allow us to continue expanding our service to customers in industries other than the textile and municipal industries. For instance, the development of our Huaihua Tianyuan Treatment Facility (Phase II) will expand our capacity to serve the pulp and paper-making industry as well as the food and beverage industry.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$85.6 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK\$1.73). If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds to increase our use of proceeds proportionately as earmarked.

If the Offer Price is fixed at HK\$1.98, being the high end of the stated Offer Price range, our net proceeds will be (i) increased by approximately HK\$82.5 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$94.8 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds to increase our use of proceeds proportionately as earmarked.

If the Offer Price is fixed at HK\$1.48, being the low end of the stated Offer Price range, our net proceeds will instead be (i) decreased by approximately HK\$82.5 million, assuming the Over-allotment Option is not exercised; and (ii) decreased by approximately HK\$94.8 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

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Hong Kong Underwriters

Joint Lead Managers

BOCI Asia Limited
ICBC International Securities Limited

Co-manager

South China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on September 11, 2013. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus and certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, and not jointly or jointly and severally, to subscribe or procure subscribers for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten, subject to the Offer Price being agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters), by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) by September 19, 2013, the Global Offering will not proceed and will lapse.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, Canada, the United Kingdom, any member of the European Union, Japan, Singapore or any other relevant jurisdiction (each a “**Relevant Jurisdiction**”); or

UNDERWRITING

- (ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against the currency of any of the Relevant Jurisdictions; or
- (iii) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or
- (v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction; or
- (vi) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vii) any change or development or prospective material adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction materially adversely affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of the Group; or
- (ix) any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the commencement by any regulatory body of any public action against any executive Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or
- (xi) a material contravention by any member of the Group of the Companies Ordinance or companies law of the Cayman Islands or the Listing Rules; or

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- (xii) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole and absolute opinion of the Joint Global Coordinators, adverse to the marketing for or implementation of the Global Offering; or
 - (xiii) any change or development involving an adverse change of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
 - (xiv) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;
- and which, in any such case and in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters),
- (A) is or may or will be or is likely to be materially adverse to, or prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company and its subsidiaries taken as a whole; or
 - (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
 - (C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters:
- (i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not fair and honest and based on reasonable assumptions; or
 - (ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
 - (iii) any of the warranties given by our Company in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any material respect; or

UNDERWRITING

- (iv) any event, act or omission which gives or may give rise to any material liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement; or
- (v) any material breach of any of the obligations of our Company under the Hong Kong Underwriting Agreement; or
- (vi) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company and its subsidiaries taken as a whole; or
- (vii) any material litigation or claim being threatened or instigated against our Company or any of its subsidiaries; or
- (viii) any of KPMG as the auditors and reporting accountants for our Company in relation to the Global Offering, Conyers Dill & Pearman (Cayman) Limited as the legal advisers of our Company on Cayman Islands law and British Virgin Islands law and GFE Law Office as the legal advisers of our Company on PRC law has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (ix) approval for the listing of an permission to deal in the Shares on the Hong Kong Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (x) our Company withdraws this prospectus and the Application Forms, or the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By the Controlling Shareholders

Pursuant to Rule 10.07(1), each of our Controlling Shareholders, being Keen Vast and Mr. Tsui, has undertaken to the Stock Exchange that, except pursuant to the Global Offering and the Stock Borrowing Agreement, he or it shall not and shall procure that the relevant registered holder(s) of the Shares will not:

- (a) in the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is six months after the Listing Date (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or

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encumbrances (save pursuant to a pledge of charge as security in favour of an authorised institution (as defined in the Banking Ordinance) (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of those Shares or securities of our Company in respect of which he or it is shown by this prospectus to be the beneficial owner; and

- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save pursuant to a pledge of charge as security in favour of an authorised institution (as defined in the Banking Ordinance) (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances he or it would cease to be our controlling shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders, being Keen Vast and Mr. Tsui, has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (a) when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) , immediately inform us in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) when he or it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of Keen Vast or Mr. Tsui and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of Keen Vast or Mr. Tsui.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

We have undertaken to the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) or any share option schemes of any members of our Group, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”) and unless permitted by the Stock Exchange, we will not without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) subject to the requirements set out in the Listing Rules:

- (i) offer, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein) (the “**Interests**”);

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Interests;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i) or (ii) above, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Interests, in cash or otherwise.

By Keen Vast and Mr. Tsui

Each of Keen Vast and Mr. Tsui has undertaken to each of the Joint Global Coordinators, the Sole Sponsor, the Hong Kong Underwriters and our Company that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option and the Stock Borrowing Agreement) or any share option schemes of any members of our Group, it/he will not and will procure that none of its/his associates (as defined in the Listing Rules) or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) at any time during the First Six-Month Period: (a) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital or other securities of our Company or any interest therein held by it or him (including, but not limited to any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities or any other interests therein (the “**Held Interests**”)); (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (a) or (b) above whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such Held Interests, in cash or otherwise;
- (ii) at any time during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”): (a) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its Held Interests); (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (a) or (b) above whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such Held Interests, in cash or otherwise if, immediately following such transaction, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and
- (iii) in the event of a disposal by it or him of any of its Held Interests during the Second Six-Month Period, it or he will take all steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company.

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Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters, the Joint Global Coordinators and the Controlling Shareholders. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriter would severally, but not jointly, agree to procure purchasers for or failing which to purchase, the International Offer Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering (the last day for exercise of the Over-allotment Option being October 17, 2013) to require us to allot and issue up to 51,000,000 additional Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

It is expected that our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. We will pay the International Underwriters an underwriting commission of 3% on the Offer Price of the International Offer Shares offered under the International Offering. In addition, we may pay to the Joint Global Coordinators (for their accounts only) a discretionary incentive fee of up to 1% of the Offer Price multiplied by the total number of Offer Shares (subject to the Over-allotment Option). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate commissions and fees, together with listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$58.3 million (assuming an Offer Price of HK\$1.98 being the maximum offer price payable on application and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Hong Kong Underwriters' Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, the Hong Kong Underwriters do not have any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

UNDERWRITING

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

Sole Sponsor's Independence

As far as the Sole Sponsor is aware, the Sole Sponsor or its affiliates do not have any other current business relationships with or provide any credit facilities or guarantees to our Group (other than as acting as Sole Sponsor to our Company) or the substantial shareholders of our Company which would reasonably be considered to affect the independence of the Sole Sponsor in performing its duties as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 34,000,000 new Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering”; and
- (ii) the International Offering of 306,000,000 new Shares (subject to adjustment and the Over-allotment Option as mentioned below) to professional and institutional investors as described below in the paragraph headed “The International Offering”.

BOCI and ICBCI Capital are the Joint Global Coordinators and Joint Bookrunners of the Global Offering. BOCI and ICBCI Securities are the Joint Lead Managers of the Global Offering and BOCI is the Sole Sponsor of the Listing.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around September 17, 2013, and in any event on or before September 19, 2013 by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.98 per Offer Share.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post and the Hong Kong Economic Times notices of the reduction. Upon issue of such a notice, the number of Offer Shares and/or the indicative Offer Price range will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their sole and absolute discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The final Offer Price is expected to be announced on September 24, 2013 and the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on September 24, 2013 in the manner set forth in the section headed “How to Apply for the Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

The net proceeds of the Global Offering we expect to receive (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised) are estimated to be approximately HK\$621.7 million, assuming an Offer Price of HK\$1.98 per Share, being the high end of the stated Offer Price range or HK\$456.8 million, assuming an Offer Price of HK\$1.48 per Share, being the low end of the stated Offer Price range (or if the Over-allotment Option is exercised in full, HK\$719.7 million, assuming an Offer Price of HK\$1.98 per Share, being the high end of the stated Offer Price range or HK\$530.0 million, assuming an Offer Price of HK\$1.48 per Share, being the low end of the stated Offer Price range).

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme not later than September 25, 2013 (or such later date as our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before September 19, 2013, the Global Offering will not proceed.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post and the Hong Kong Economic Times on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)(as amended).

Share certificates are expected to be issued on or before September 24, 2013 but will only become valid certificates of title at 8:00 a.m. on September 25, 2013 provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 34,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering, subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants

STRUCTURE OF THE GLOBAL OFFERING

who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) up to the total value of pool B. Investors should be aware that the allocation ratios for applications in pool A and applications in pool B may be different. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 17,000,000 Hong Kong Offer Shares, being the number of Hong Kong Offer Shares initially available under each pool, are liable to be rejected.

Reallocation

The allocation of the Offer Shares between (i) the Hong Kong Public Offering and (ii) the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 102,000,000 Offer Shares (in the case of (i)), 136,000,000 Offer Shares (in the case of (ii)) and 170,000,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Joint Global Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.98 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “Pricing and Allocation” below, is less than the maximum price of HK\$1.98 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

We are initially offering 306,000,000 International Offer Shares at the Offer Price under the International Offering, representing 90.0% of the total number of Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) within 30 days from the last day for lodging of applications under the Hong Kong Public Offering (the last day for exercise of the Over-allotment Option being October 17, 2013), to require us to allot and issue 51,000,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

STABILIZATION

In connection with the Global Offering, the Stabilizing Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Please refer to the section headed “Information about this Prospectus and the Global Offering — Over-allotment and Stabilization” in this prospectus for details regarding stabilization, over-allocation and stock borrowing arrangements in connection with the Global Offering.

STOCK BORROWING

In order to facilitate settlement of over-allocations in connection with the International Offering, a Stock Borrowing Agreement has been entered into between the Stabilizing Manager and Keen Vast in compliance with Rule 10.07(3) of the Listing Rules. Under the Stock Borrowing Agreement, Keen Vast has agreed with the Stabilizing Manager that if requested by the Stabilizing Manager, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilizing Manager up to 51,000,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the International Offering on the conditions that:

- (i) such stock borrowing arrangement will only be affected by the Stabilizing Manager for settlement of over-allocations of Shares in connection with the International Offering;
- (ii) the maximum number of Shares which must be borrowed from Keen Vast by the Stabilizing Manager under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Keen Vast or its nominees, as the case may be, on or before the third business day following the earlier of:
 - (a) the last day on which the Over-allotment Option may be exercised; or
 - (b) the day on which the Over-allotment Option is exercised in full;
- (iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- (v) no payments or other benefits will be made to Keen Vast by the Stabilizing Manager or any of the International Underwriters in relation to such stock borrowing arrangement.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** service and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through **White Form eIPO** service (www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 12, 2013 until 12:00 noon on Tuesday, September 17, 2013:

- (i) any of the following offices of the Hong Kong Underwriters:

BOCI Asia Limited	26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
ICBC International Securities Limited	37/F, ICBC Tower, 3 Garden Road, Hong Kong
South China Securities Limited	28/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong

- (ii) any of the branches of the following receiving banks:

or any one of the following branches of **Bank of China (Hong Kong) Limited**:

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	North Point (King's Centre) Branch	193-209 King's Road, North Point
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
Kowloon	Telford Gardens Branch	Shop P2 Telford Gardens, Kowloon Bay
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

HOW TO APPLY FOR HONG KONG OFFER SHARES

or any one of the following branches of **Industrial and Commercial Bank of China (Asia) Limited**:

	Branch Name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central
	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
	Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardine's Bazaar, Causeway Bay
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui
	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
New Territories	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Tsuen Wan Castle Peak Road Branch	G/F., 423-427 Castle Peak Road, Tsuen Wan

You can collect a YELLOW Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 12, 2013 until 12:00 noon on Tuesday, September 17, 2013, from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed WHITE or YELLOW Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited—CT Environmental Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, September 12, 2013 — 9:00 a.m. to 5:00 p.m.

Friday, September 13, 2013 — 9:00 a.m. to 5:00 p.m.

Saturday, September 14, 2013 — 9:00 a.m. to 1:00 p.m.

Monday, September 16, 2013 — 9:00 a.m. to 5:00 p.m.

Tuesday, September 17, 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, September 17, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Hong Kong Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application through the **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, September 12, 2013 until 11:30 a.m. on Tuesday, September 17, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, September 17, 2013 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

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No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each CT ENVIRONMENTAL GROUP LIMITED **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Hong Kong Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

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- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, September 12, 2013	— 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, September 13, 2013	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, September 14, 2013	— 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, September 16, 2013	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, September 17, 2013	— 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, September 12, 2013 until 12:00 noon on Tuesday, September 17, 2013 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, September 17, 2013, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

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Personal Data

The section in the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, September 17, 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or

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- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a WHITE or YELLOW Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 17, 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, September 17, 2013 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, September 24, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company’s website at www.chongto.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.chongto.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Tuesday, September 24, 2013;

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- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, September 24, 2013 to 12:00 midnight on Monday, September 30, 2013;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. to 10:00 p.m. from Tuesday, September 24, 2013 to Friday, September 27, 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, September 24, 2013 to Thursday, September 26, 2013 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.98 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering - Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, September 24, 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

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No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, September 24, 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at at 8:00 a.m. on Wednesday, September 25, 2013 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Computershare Hong Kong Investor Services Limited at Shops 1712 — 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday September 24, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, September 24, 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, September 24, 2013, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, September 24, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 24, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712 — 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 24, 2013, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, September 24, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iv) IF YOU APPLY VIA ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, September 24, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, September 24, 2013. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 24, 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, September 24, 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, September 24, 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

September 12, 2013

The Directors
CT Environmental Group Limited

BOCI Asia Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to CT Environmental Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group and the statement of financial position of the Company as at December 31, 2010, 2011 and 2012 and April 30, 2013 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated September 12, 2013 (the "Prospectus").

The Company was incorporated in the Cayman Islands on November 30, 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on May 31, 2011 (the "Reorganisation") as detailed in the section headed "History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Bright Sign Enterprises Limited, as they are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted December 31 as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 1(b) of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) on the same basis as used in the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2013 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to April 30, 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the state of affairs of the Group and the Company as at December 31, 2010, 2011 and 2012 and April 30, 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended April 30, 2012, together with the notes thereon (the “Corresponding Financial Information”), for which the directors are responsible, 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.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, 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 on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 Consolidated income statements of the Group

	Section B Note	For the year ended December 31,			For the four months ended April 30,	
		2010	2011	2012	2012	2013
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
					(unaudited)	
Turnover	3	361,444	462,260	383,806	115,126	133,732
Cost of sales		(174,419)	(195,311)	(131,411)	(39,748)	(54,266)
Gross profit		187,025	266,949	252,395	75,378	79,466
Other revenue	4	14,965	4,133	410	79	86
General and administrative expenses		(31,225)	(40,374)	(22,233)	(6,647)	(11,254)
Other operating expenses	5	(1,818)	(658)	(3,264)	(2,609)	(2)
Profit from operations		168,947	230,050	227,308	66,201	68,296
Finance costs	6(a)	(17,689)	(26,388)	(36,984)	(12,101)	(10,097)
Share of profit of an associate . .	15	—	—	23,166	4,664	3,916
Profit before taxation	6	151,258	203,662	213,490	58,764	62,115
Income tax	7	(24,956)	(38,392)	(36,140)	(10,027)	(12,743)
Profit for the year/period		<u>126,302</u>	<u>165,270</u>	<u>177,350</u>	<u>48,737</u>	<u>49,372</u>
Attributable to:						
- Equity holders of the Company		120,874	164,514	177,229	48,698	49,327
- Non-controlling interests		5,428	756	121	39	45
Profit for the year/period		<u>126,302</u>	<u>165,270</u>	<u>177,350</u>	<u>48,737</u>	<u>49,372</u>

The accompanying notes form part of the Financial Information.

2 Consolidated statements of comprehensive income of the Group

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Profit for the year/period	126,302	165,270	177,350	48,737	49,372
Other comprehensive income				(unaudited)	
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of entities not using Hong Kong Dollar ("HKD") as functional currency, net of nil tax	9,330	11,020	617	638	4,761
Total comprehensive income for the year/period	<u>135,632</u>	<u>176,290</u>	<u>177,967</u>	<u>49,375</u>	<u>54,133</u>
Total comprehensive income attributable to:					
- Equity holders of the Company . .	129,912	174,583	177,832	49,333	53,319
- Non-controlling interests	5,720	1,707	135	42	814
Total comprehensive income for the year/period	<u>135,632</u>	<u>176,290</u>	<u>177,967</u>	<u>49,375</u>	<u>54,133</u>

The accompanying notes form part of the Financial Information.

3 Consolidated statements of financial position of the Group

	Section B Note	As at December 31,			As at April 30,
		2010	2011	2012	2013
		HKD'000	HKD'000	HKD'000	HKD'000
Non-current assets					
Property, plant and equipment	12	116,773	223,042	265,408	341,540
Lease prepayments	13	8,193	30,377	30,109	30,382
Intangible assets	14	9,172	9,230	8,832	8,804
Interests in an associate	15	—	—	159,067	164,919
Gross amounts due from customers for contract work	16	161,293	247,957	244,085	245,377
Other receivables	18	—	147,247	133,542	140,706
Deferred tax assets	22(b)	905	4,320	3,918	3,775
		<u>296,336</u>	<u>662,173</u>	<u>844,961</u>	<u>935,503</u>
Current assets					
Inventories	17	353	758	627	842
Trade and other receivables	18	389,854	148,284	263,934	296,589
Gross amounts due from customers for contract work	16	12,529	20,996	21,445	21,703
Cash and cash equivalents	19	16,365	51,967	10,463	10,903
		<u>419,101</u>	<u>222,005</u>	<u>296,469</u>	<u>330,037</u>
Current liabilities					
Trade and other payables	20	118,935	133,969	101,216	174,151
Loans and borrowings	21	17,644	67,762	82,039	85,520
Current taxation	22(a)	10,542	10,005	12,712	10,048
		<u>147,121</u>	<u>211,736</u>	<u>195,967</u>	<u>269,719</u>
Net current assets		<u>271,980</u>	<u>10,269</u>	<u>100,502</u>	<u>60,318</u>
Total assets less current liabilities .		<u>568,316</u>	<u>672,442</u>	<u>945,463</u>	<u>995,821</u>

The accompanying notes form part of the Financial Information.

	Section B Note	As at December 31,			As at April 30,
		2010	2011	2012	2013
		HKD'000	HKD'000	HKD'000	HKD'000
Non-current liabilities					
Loans and borrowings	21	301,658	416,701	517,360	510,416
Deferred tax liabilities	22(b)	11,656	17,153	21,609	24,603
Deferred income	23	—	14,595	14,592	14,767
		<u>313,314</u>	<u>448,449</u>	<u>553,561</u>	<u>549,786</u>
Net assets		<u>255,002</u>	<u>223,993</u>	<u>391,902</u>	<u>446,035</u>
Equity					
Share capital	24	10	100	100	100
Reserves	24	247,454	214,458	390,238	443,557
Total equity attributable to equity holders of the Company		247,464	214,558	390,338	443,657
Non-controlling interests	25	7,538	9,435	1,564	2,378
Total equity		<u>255,002</u>	<u>223,993</u>	<u>391,902</u>	<u>446,035</u>

The accompanying notes form part of the Financial Information.

4 Statements of financial position of the Company

	Section B Note	As at December 31,			As at April 30,
		2010	2011	2012	2013
		HKD'000	HKD'000	HKD'000	HKD'000
Non-current assets					
Investments in subsidiaries	2	—	197,627	197,627	197,627
Total non-current assets		—	197,627	197,627	197,627
Current assets					
Other receivables	18	—	97	286	285
Amount due from a related party . . .	18	—	10	10	10
Cash and cash equivalent	19	—	117	44	59
Total current assets		—	224	340	354
Current liabilities					
Other payables	20	—	2,164	1	1
Amounts due to related parties	20	—	5,136	7,817	7,952
Total current liabilities		—	7,300	7,818	7,953
Net current liabilities		—	7,076	7,478	7,599
Net assets		—	190,551	190,149	190,028
Equity					
Share capital	24(a)	—	100	100	100
Reserves	24(b)	—	190,451	190,049	189,928
Total equity		—	190,551	190,149	190,028

The accompanying notes form part of the Financial Information.

5 Consolidated statements of changes in equity of the Group

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Retained profits	Total		
	HKD'000 (note 24(a))	HKD'000 (note 24(b))	HKD'000 (note 24(b))	HKD'000 (note 24(b))	HKD'000	HKD'000		
At January 1, 2010	5,666	—	17,477	11,030	87,569	121,742	18,830	140,572
Changes in equity for 2010								
Profit for the year	—	—	—	—	120,874	120,874	5,428	126,302
Other comprehensive income	—	—	—	9,038	—	9,038	292	9,330
Total comprehensive income	—	—	—	9,038	120,874	129,912	5,720	135,632
Acquisition of a subsidiary (note 2)	—	—	—	—	—	—	8,279	8,279
Acquisition of non-controlling interests without a change of control (note 25)	—	—	—	—	2,666	2,666	(25,291)	(22,625)
Reorganisation (note 24(a))	(5,656)	—	—	(1,200)	—	(6,856)	—	(6,856)
Transfer to statutory reserve	—	—	12,449	—	(12,449)	—	—	—
At December 31, 2010 and January 1, 2011	10	—	29,926	18,868	198,660	247,464	7,538	255,002
Changes in equity for 2011								
Profit for the year	—	—	—	—	164,514	164,514	756	165,270
Other comprehensive income	—	—	—	10,069	—	10,069	951	11,020
Total comprehensive income	—	—	—	10,069	164,514	174,583	1,707	176,290
Reorganisation (note 24(a))	90	(90)	—	—	—	—	—	—
Dividends approved in respect of the previous years (note 24(d))	—	—	—	—	(207,489)	(207,489)	—	(207,489)
Contributions from non-controlling interests	—	—	—	—	—	—	190	190
Transfer to statutory reserve	—	—	16,617	—	(16,617)	—	—	—
At December 31, 2011 and January 1, 2012	100	(90)	46,543	28,937	139,068	214,558	9,435	223,993
Changes in equity for 2012								
Profit for the year	—	—	—	—	177,229	177,229	121	177,350
Other comprehensive income	—	—	—	603	—	603	14	617
Total comprehensive income	—	—	—	603	177,229	177,832	135	177,967
Acquisition of non-controlling interests without a change of control (note 25)	—	—	—	—	(2,052)	(2,052)	(8,375)	(10,427)
Contributions from non-controlling interests	—	—	—	—	—	—	369	369
Transfer to statutory reserve	—	—	2,175	—	(2,175)	—	—	—
At December 31, 2012	100	(90)	48,718	29,540	312,070	390,338	1,564	391,902

The accompanying notes form part of the Financial Information.

	Attributable to equity holders of the Company						Non- controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Retained profits	Total		
	HKD'000 (note 24(a))	HKD'000 (note 24(b))	HKD'000 (note 24(b))	HKD'000 (note 24(b))	HKD'000	HKD'000		
At January 1, 2013	100	(90)	48,718	29,540	312,070	390,338	1,564	391,902
Changes in equity for the four months ended April 30, 2013								
Profit for the period	—	—	—	—	49,327	49,327	45	49,372
Other comprehensive income	—	—	—	3,992	—	3,992	769	4,761
Total comprehensive income . .	—	—	—	3,992	49,327	53,319	814	54,133
At April 30, 2013	<u>100</u>	<u>(90)</u>	<u>48,718</u>	<u>33,532</u>	<u>361,397</u>	<u>443,657</u>	<u>2,378</u>	<u>446,035</u>
(Unaudited)								
At January 1, 2012	100	(90)	46,543	28,937	139,068	214,558	9,435	223,993
Changes in equity for the four months ended April 30, 2012								
Profit for the period	—	—	—	—	48,698	48,698	39	48,737
Other comprehensive income	—	—	—	635	—	635	3	638
Total comprehensive income . .	—	—	—	635	48,698	49,333	42	49,375
Acquisition of non- controlling interests without a change of control (note 25)	—	—	—	—	(2,052)	(2,052)	(8,375)	(10,427)
At April 30, 2012	<u>100</u>	<u>(90)</u>	<u>46,543</u>	<u>29,572</u>	<u>185,714</u>	<u>261,839</u>	<u>1,102</u>	<u>262,941</u>

The accompanying notes form part of the Financial Information.

6 Consolidated cash flow statements of the Group

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Cash flow from operating activities					
Profit before taxation	151,258	203,662	213,490	58,764	62,115
Adjustments for:					
- Amortisation of lease prepayments	245	257	262	88	88
- Depreciation.	8,565	12,637	16,374	5,239	5,680
- Net loss on disposal of property, plant and equipment	915	—	2,603	2,603	—
- Gain on acquisition of a subsidiary	(5,592)	—	—	—	—
- Finance income	(9,035)	(2,103)	(148)	(79)	(10)
- Interest costs	17,689	26,388	36,984	12,101	10,097
- Foreign exchange (gain)/loss	(3,920)	9,103	(2,926)	(1,346)	(1,222)
- Amortisation of intangible assets	339	389	396	132	133
- Share of profit of an associate	—	—	(23,166)	(4,664)	(3,916)
	160,464	250,333	243,869	72,838	72,965
Decrease/(increase) in inventories.	78	(406)	131	113	(215)
(Increase)/decrease in trade and other receivables	(29,790)	(22,055)	41,699	2,291	(29,143)
(Increase)/decrease in gross amounts due from customers for contract work	(176,907)	(95,130)	3,423	776	1,626
Increase in trade and other payables	68,300	27,101	18,074	43,706	9,770
Cash generated from operations	22,145	159,843	307,196	119,724	55,003
PRC tax paid	(11,711)	(37,335)	(28,586)	(9,968)	(12,662)
Net cash generated from operating activities	10,434	122,508	278,610	109,756	42,341

The accompanying notes form part of the Financial Information.

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Net cash generated from operating activities	10,434	122,508	278,610	109,756	42,341
Investing activities					
Acquisition of a subsidiary (note 2) ..	51	—	—	—	—
Proceeds from disposal of property, plant and equipment	38	—	—	—	—
Payment for the purchase of property, plant and equipment	(14,409)	(147,211)	(249,486)	(28,845)	(75,574)
(Advance to)/repayment from related parties	(86,853)	260,890	(111,175)	(98,294)	55,702
Investment deposits (paid)/settled (note 15)	—	(122,166)	47,757	47,757	—
Investment in an associate (note 15) ..	—	—	(78,598)	(78,598)	—
Net cash used in investing activities	(101,173)	(8,487)	(391,502)	(157,980)	(19,872)
Financing activities					
Proceeds from loans and borrowings ..	79,679	403,730	220,875	73,818	—
Finance income received	77	2,103	148	79	10
Dividend paid to the equity holders of the Company	—	(207,489)	—	—	—
Interest paid	(17,127)	(23,398)	(37,076)	(12,282)	(12,194)
Repayment of loans and borrowings ..	(19,743)	(254,319)	(106,813)	(43,607)	(9,951)
Payments for acquisition of non-controlling interests	—	—	(6,110)	(6,110)	—
Contributions from non-controlling interests	—	190	369	—	—
Net cash generated from/(used in) financing activities	42,886	(79,183)	71,393	11,898	(22,135)
Effect of foreign exchange rate changes	647	764	(5)	394	106
Net (decrease)/increase in cash and cash equivalents	(47,206)	35,602	(41,504)	(35,932)	440
Cash and cash equivalents at January 1,	<u>63,571</u>	<u>16,365</u>	<u>51,967</u>	<u>51,967</u>	<u>10,463</u>
Cash and cash equivalents at December 31,/April 30,	<u>16,365</u>	<u>51,967</u>	<u>10,463</u>	<u>16,035</u>	<u>10,903</u>

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION**1 Significant accounting policies***(a) Statement of compliance*

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2013 are set out in note 33.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the four months ended April 30, 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company, its subsidiaries and an associate and has been prepared using the merger basis of accounting as if the Group had always been in existence.

The Company was incorporated in the Cayman Islands on November 30, 2010 as part of the Reorganisation of Xi Zhou Enterprises Hong Kong Limited ("Xi Zhou Enterprises") in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange. Xi Zhou Enterprises is the holding company of its subsidiaries, which mainly engage in construction of wastewater treatment plants, provision of wastewater treatment plants operation services and heating services and supply of industrial water. Pursuant to the Reorganisation, the Company became the ultimate holding company of Xi Zhou Enterprises and its subsidiaries.

Prior to the incorporation of the Company, Mr Tsui Cham To ("Mr Tsui") established Guangzhou Xinzhou Environmental Protection Industrial Park Company Limited (廣州新洲環保工業園有限公司)⁽ⁱ⁾ ("Guangzhou Xinzhou") in the PRC. Guangzhou Xinzhou provides facility management service relating to wastewater treatment plants operation services ("the Relevant Business"). Guangzhou To Kee Enterprises Development Group Limited (廣州滔記實業發展集團有限公司)⁽ⁱ⁾ ("Guangzhou To Kee"), a company incorporated in the PRC, owned 60% equity interests in Guangzhou Xinzhou prior to the Reorganisation and Mr. Tsui controlled the Relevant Business through his 89% equity interests in Guangzhou To Kee.

Since June 2010, the companies comprising the Group and Guangzhou To Kee underwent a group restructuring. Pursuant to the reorganisation as detailed in the Section headed "History and Reorganisation" in the Prospectus, the Relevant Business operated by Guangzhou To Kee was transferred to the companies comprising the Group.

The companies that took part in the Reorganisation now comprising the Group were controlled by the same equity owner, Mr. Tsui, before and after the Reorganisation. The control is not transitory and, consequently, there was continuation of the risks and benefits to Mr. Tsui and, therefore, the Reorganisation is considered to be a business combination of entities under common control.

Merger accounting has been applied in the accounting of the Reorganisation. The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in Section B include the results of operations of the Company and its subsidiaries for the Relevant Periods (or where the Company and its subsidiaries were incorporated / established at a date later than January 1, 2010, for the period from the date of incorporation / establishment to April 30, 2013) as if the Reorganisation was completed at the beginning of the Relevant Periods. The consolidated statements of financial position of the Group as at December 31, 2010, 2011 and 2012 and April 30, 2013 as set out in Section A have been prepared to present the state of affairs of the Company and its subsidiaries as at those dates as if the Reorganisation was completed at the beginning of the Relevant Periods.

All material intra-group transactions and balances have been eliminated on consolidation.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, which are private limited liability companies or, if established / incorporated outside Hong Kong, have substantially the same characteristics as a Hong Kong private company. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation / establishment	Issued and fully paid up / registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Bright Sign Enterprise Limited	British Virgin Islands ("BVI") October 12, 2010	USD1/ USD50,000	100%	—	Investment holding
Xi Zhou Enterprises	Hong Kong July 28, 1999	HKD10,000/ HKD10,000	—	100%	Investment holding
Guangzhou Xinzhou	Guangzhou, the PRC June 10, 2003	RMB10,000,000/ RMB10,000,000	—	100%	Provision of facility management service relating to wastewater processing
Guangzhou Kaizhou Water Supply Company Limited (廣州凱洲自來水有限公司) (i) ("Guangzhou Kaizhou")	Guangzhou, the PRC September 28, 2003	HKD20,000,000/ HKD20,000,000	—	100%	Supply of industrial water
Guangzhou Xintao Wastewater Treatment Company Limited (廣州新滔水質淨化有限公司) (i) ("Guangzhou Xintao")	Guangzhou, the PRC September 28, 2003	HKD58,000,000/ HKD58,000,000	—	100%	Provision of wastewater processing & heating service
Guangyuan Xizhou Environmental Company Limited (廣元西洲環保實業有限公司) (i) ("Guangyuan Xizhou")	Guangyuan, the PRC July 11, 2011	HKD95,000,000/ HKD95,000,000	—	99%	Dormant
Longmen Xilin Wastewater Treatment Company Limited (龍門西林水質淨化有限公司) (i) ("Longmen Xilin")	Huizhou, the PRC March 21, 2008	RMB5,000,000/ RMB5,000,000	—	100%	Design, construction, operation and maintenance of wastewater treatment plant

Name of company	Place and date of incorporation / establishment	Issued and fully paid up / registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Huaihua Tianyuan Wastewater Treatment Company Limited (懷化天源污水處理投資有限公司) (i) (“Huaihua Tianyuan”)	Huaihua, the PRC May 21, 2009	RMB10,000,000/ RMB10,000,000	—	100%	Design, construction, operation and maintenance of wastewater treatment plant
Guangzhou Haitao Environmental Protection Technology Company Limited (廣州海滔環保科技有限公司) (i) (“Guangzhou Haitao”)	Guangzhou, the PRC November 9, 2009	RMB80,000,000/ RMB80,000,000	—	99%	Design, construction, operation and maintenance of wastewater treatment plant
Guangzhou CT Environmental Investment Company Limited (廣州中滔環保投資有限公司) (i) (“Guangzhou Zhongtao”)	Guangzhou, the PRC October 17, 2011	HKD10,000,000/ HKD10,000,000	—	100%	Dormant

(i) The official names of these entities are in Chinese. The English translation of the names is for reference only.

Details of the companies comprising the Group that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out below:

Name of companies	Financial period	Statutory auditors
Xi Zhou Enterprises . . .	Years ended December 31, 2010, 2011 and 2012	RIW C.P.A. Limited, Certified Public Accountants (Practising) (i) 正衡會計師事務所有限公司
Guangzhou Kaizhou . . .	Years ended December 31, 2010, 2011 and 2012	Guangzhou Zengxin Certified Public Accountants Co. Ltd. (i) 廣州市增信會計師事務所有限公司
Guangzhou Xintao	Years ended December 31, 2010, 2011 and 2012	Guangzhou Zengxin Certified Public Accountants Co. Ltd. (i) 廣州市增信會計師事務所有限公司
Huaihua Tianyuan	Year ended December 31, 2010	Hunan Taixin Certified Public Accountants Co. Ltd. (i) 湖南泰信會計師事務所有限公司
	Years ended December 31, 2011 and 2012	Hunan Fangxing Certified Public Accountants Co. Ltd. (i) 湖南方興會計師事務所有限公司
Guangzhou Xinzhou . . .	Years ended December 31, 2010, 2011 and 2012	Guangzhou Zengxin Certified Public Accountants Co. Ltd. (i) 廣州市增信會計師事務所有限公司

Name of companies	Financial period	Statutory auditors
Longmen Xilin	Years ended December 31, 2010, 2011 and 2012	Guangzhou Zengxin Certified Public Accountants Co. Ltd. (i) 廣州市增信會計師事務所有限公司
Guangzhou Haitao	Years ended December 31, 2010, 2011 and 2012	Guangzhou Zengxin Certified Public Accountants Co. Ltd. (i) 廣州市增信會計師事務所有限公司
Guangyuan Xizhou	Period from July 11, 2011 (date of incorporation) to December 31, 2011 and year ended December 31, 2012	Guangzhou Zengxin Certified Public Accountants Co. Ltd. (i) 廣州市增信會計師事務所有限公司
Guangzhou Zhongtao . . .	Period from October 17, 2011 (date of incorporation) to December 31, 2011 and year ended December 31, 2012	Guangzhou Zengxin Certified Public Accountants Co. Ltd. (i) 廣州市增信會計師事務所有限公司

(i) The official names of these entities are in Chinese. The English translation of the names is for reference only.

The statutory financial statements of Xi Zhou Enterprises, a Hong Kong entity, were prepared in accordance with HKFRSs. The statutory financial statements of the other entities comprising the Group, which are all PRC entities, were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

As at April 30, 2013, the Group had capital expenditure contracted for in the amount of HKD 99,827,000, while the Group had only net current assets of HKD 60,318,000 of which cash and cash equivalent amounted to HKD 10,903,000. Notwithstanding this, the financial statements have been prepared on a going concern basis as the directors are of the opinion that the Group has sufficient working capital to meet its financial obligations as and when they fall due after considering the expected net cashflow from future operating activities and the Group's ability to secure adequate other banking facilities.

(c) Basis of measurement

The Financial Information is presented in HKD, rounded to the nearest thousand except for per share data. It is prepared on the historical cost basis. Renminbi ("RMB") is the functional currency of the Group's major operating entities. The methods used to measure fair value are set out in note 26(f).

(d) Use of estimates and judgments

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 31.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group measures any non-controlling interests at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(p)).

Business combinations arising from transfer of interests in entities that are under the common control of the shareholder that control the Group are accounted for using book value accounting as if the acquisition had occurred at the beginning of the earliest comparative period presented.

(f) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating

to the investment (see notes 1(j) and (p)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(g) Translation of functional currency

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The results of foreign operations are translated into HKD at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HKD at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(h) Non-derivative financial assets

The Group initially recognises trade and other receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: gross amounts due from customers for contract work, trade and other receivables, cash and cash equivalents.

(i) Gross amounts due from customers for contract work

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services provided. Such financial assets are measured at fair value on initial recognition and classified as gross amounts due from customers for contract work. Subsequent to initial recognition, the financial assets are measured at amortised cost.

(ii) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(p)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(i) Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise interests-bearing borrowings and trade and other payables.

(j) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested periodically for impairment (see note 1(p)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note 1(p)).

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Construction in progress represents property, plant and equipment under construction, and is stated at cost less impairment losses (note 1(p)).

Cost comprises direct costs of construction during the construction period. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when all of the activities necessary to prepare the assets for their intended use are substantially completed.

The gain and loss on disposal of an item of property, plants and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other revenue/other operating expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day serving of property, plant and equipment are recognised in profit and loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment less their estimated residual value.

The estimated useful lives of other property, plant and equipment are as follows:

- | | |
|--------------------------------------|---------------|
| • Buildings and other infrastructure | 20 years |
| • Machinery | 10 - 15 years |
| • Office equipment and others | 5 years |

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Upon completion and commencing for operation, depreciation will be provided at the appropriate rates specified above.

Both the useful life of an asset and its residual value, if any, are reviewed at the end of the reporting period.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (note 1(p)).

(ii) Amortisation

Amortisation of intangible assets with finite useful lives is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life of the Group's intangible assets is:

- Wastewater treatment plants operating right 25 years

Both the period and method of amortisation are reviewed at the end of the reporting period.

(m) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC government authorities. Land use rights are stated as cost less accumulated amortisation and impairment losses (note 1(p)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of the rights which are 35 years and 50 years.

(n) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets under a service concession arrangement. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

(o) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

When inventories are consumed, the carrying value of those inventories is recognised as an expense in profit or loss.

*(p) Impairment of assets**(i) Impairment of investment in an associate, trade and other receivables and gross amounts due from customers for contract work.*

Investment in an associate, other current and non-current receivables and gross amounts due from customers for contract work that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and an associate (including those recognised using the equity method (see note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(p)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(p)(ii).
- For trade and other current receivables, gross amounts due from customers for contract work and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Turnover

Turnover is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the turnover and costs, if applicable, can be measured reliably, turnover is recognised in profit or loss as follows:

(i) Service concession arrangement

Turnover relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed. When the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss. Operation or service turnover is recognised in the period in which services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

(ii) Finance income

Finance income is recognised as it accrues using the effective interest method.

(iii) Turnover from supply of industrial water

Turnover from supply of industrial water is recognised when industrial water is supplied to customers. Revenue excludes value added tax or other sales taxes.

(iv) Turnover from wastewater treatment plants operation services

Turnover from provision of wastewater treatment plants operation services is recognised when the service is rendered. Revenue excludes value added tax or other sales taxes.

(v) Turnover from provision of heating services

Turnover from provision of heating services is recognised when the services is rendered. Revenue excludes value added tax or other sales taxes.

(t) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Income tax

Income tax for the year / period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year / period, using tax rates enacted or substantively enacted at the date of statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the date of statement of financial position. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (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 employees of either 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 the key management personnel of the entity (or of a parent of the entity).

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.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Investments in subsidiaries

Investments in subsidiaries are stated at cost and details of the subsidiaries as at the date of this report are set out in note 1(b) of section B.

Acquisition of a subsidiary

On January 25, 2010, the Group obtained control of Huaihua Tianyuan by acquiring 60% of the equity interests in Huaihua Tianyuan for a consideration of RMB 6 million, equivalent to HKD 6,826,000. The management considers this as the acquisition of a business. Huaihua Tianyuan is a company providing wastewater processing service to local government. The following summaries the nature of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Identified assets acquired and liabilities assumed of Huaihua Tianyuan at the acquisition date:

	Note	Pre-acquisition carrying amount	Fair value adjustments	Recognised values on acquisition
		HKD'000	HKD'000	HKD'000
Property, plant and equipment	12	18	—	18
Trade and other receivables		29,731	—	29,731
Cash and cash equivalents		51	—	51
Trade and other payables		(16,430)	—	(16,430)
Intangible assets	14	—	9,216	9,216
Deferred tax liabilities	22(b)	—	(1,889)	(1,889)
Net identifiable assets		<u>13,370</u>	<u>7,327</u>	<u>20,697</u>
Share of net identifiable assets				12,418
Total consideration				<u>(6,826)</u>
Gain on acquisition of a subsidiary	4			<u>5,592</u>
Cash acquired				<u>51</u>
Net cash inflow	Section A note 6			<u><u>51</u></u>

On August 12, 2010, the Group acquired an additional 15% equity interests in Huaihua Tianyuan for RMB 1.5 million, equivalent to HKD 1,707,000, increasing its ownership from 60% to 75%. (note 25)

On January 10, 2012, the Group acquired the remaining 25% equity interests in Huaihua Tianyuan for RMB 8.5 million, equivalent to HKD 10,427,000, increasing its ownership from 75% to 100%. (note 25)

3 Turnover

The Group is principally engaged in the construction of wastewater treatment plants, wastewater treatment plant operation services, supply of industrial water and provision of heating services.

Turnover represents the revenue for construction services, revenue from wastewater treatment plant operation services and finance income under the Build-Operate-Transfer ("BOT") arrangements, revenue from supply of industrial water, revenue from provision of wastewater treatment plants operation services under the non-BOT arrangements and revenue from provision of heating services. Further details regarding the Group's BOT arrangements are disclosed in note 16. The amount of each significant category of revenue recognised in turnover during the Relevant Periods is as follows:

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Provision of wastewater project construction services	131,067	85,661	693	15	—
Provision of wastewater treatment plants operation services under the BOT arrangements	14,861	32,266	23,532	8,764	11,280
Supply of industrial water	37,002	51,389	51,689	15,729	14,983
Provision of wastewater treatment plants operation services under the non-BOT arrangements	171,753	256,414	242,866	74,330	76,019
Finance income	6,761	11,929	16,081	5,418	5,558
Provision of heating services	—	24,601	48,945	10,870	25,892
	<u>361,444</u>	<u>462,260</u>	<u>383,806</u>	<u>115,126</u>	<u>133,732</u>

The Group has transactions with the PRC local government authorities which in aggregate exceeded 10% of the Group's turnover. Turnover from provision of wastewater project construction services and provision of wastewater treatment plants operation services under the BOT arrangements and finance income derived from local government authorities in the PRC for each of the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2012 and 2013 amounted to HKD 152,689,000, HKD 129,856,000, HKD 40,306,000, HKD 14,197,000 (unaudited) and HKD 16,838,000 respectively. The turnover is included in "wastewater project construction and operations services" segment as disclosed in note 11 to the Financial Information. Details of concentrations of credit risk arising from these customers are set out in note 26(a).

Further details regarding the Group's principal activities are disclosed in note 11.

4 Other revenue

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Finance income generated from amounts due from related parties (note 29(c))	8,958	1,954	—	—	—
Finance income generated from banks	77	149	133	79	10
Gain on acquisition of a subsidiary (note 2)	5,592	—	—	—	—
Others	338	2,030	277	—	76
	<u>14,965</u>	<u>4,133</u>	<u>410</u>	<u>79</u>	<u>86</u>

5 Other operating expenses

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Loss arising from disposal of property, plant and equipment . .	915	—	2,603	2,603	—
Others	903	658	661	6	2
	<u>1,818</u>	<u>658</u>	<u>3,264</u>	<u>2,609</u>	<u>2</u>

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Interest expenses	17,689	26,388	38,720	12,101	12,226
Less: interest expenses capitalised into properties under development*	—	—	(1,736)	—	(2,129)
	<u>17,689</u>	<u>26,388</u>	<u>36,984</u>	<u>12,101</u>	<u>10,097</u>

* The borrowing costs have been capitalised at a rate of 6.55% per annum for the year ended December 31, 2012 and the four months ended April 30, 2013.

(b) Staff costs

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Salaries, wages and other benefits	6,751	11,852	16,124	5,526	6,912
Contributions to defined contribution plan	253	778	932	347	359
	<u>7,004</u>	<u>12,630</u>	<u>17,056</u>	<u>5,873</u>	<u>7,271</u>

Staff costs included directors' remuneration (note 8).

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

Contributions to the Mandatory Provident Fund ("MPF") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the MPF Scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employees and employer are subject to a cap of monthly relevant income of HKD 20,000 for the period from January 1, 2010 to May 31, 2012. With effective from June 1, 2012, the maximum amount of monthly relevant income for MPF mandatory contributions was changed from HKD 20,000 to HKD 25,000.

The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) *Other items*

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Cost of construction service	116,601	77,681	628	14	—
Cost of inventories*	32,943	50,710	35,396	13,156	10,583
Depreciation and amortisation . . .	9,149	13,283	17,032	5,459	5,901
Operating lease charges	18	386	514	316	554
Research and development expenses	214	376	555	159	311
Auditors' remuneration	1,678	4,362	2,010	670	688
Initial Public Offering ("IPO") expenses	8,046	17,867	—	—	2,845
	<u>168,649</u>	<u>164,665</u>	<u>56,135</u>	<u>19,774</u>	<u>20,882</u>

* Cost of inventories represented raw materials consumed during the supply of industrial water and the provision of wastewater treatment plants operation services.

7 **Income tax in the consolidated income statements**

(a) *Income tax expenses in the consolidated income statements represents:*

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Current tax — PRC income tax					
Provision for PRC income tax . . .	17,074	29,499	25,043	6,791	9,805
Provision for PRC dividend withholding tax	5,054	7,144	6,253	—	—
Deferred tax					
Origination and reversal of temporary differences	2,828	1,749	4,844	3,236	2,938
Income tax expenses	<u>24,956</u>	<u>38,392</u>	<u>36,140</u>	<u>10,027</u>	<u>12,743</u>

(b) Reconciliation between income tax expenses and accounting profit at applicable tax rates:

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Profit before taxation	151,258	203,662	213,490	58,764	62,115
Notional tax on profit before taxation calculated at the standard tax rates applicable at the jurisdictions concerned (i)	38,706	54,857	54,014	15,427	16,002
Effect of non-deductible expenses	2,127	3,659	3,735	1,377	2,466
Effect of non-taxable income	(1,398)	—	(2,896)	(1,166)	(979)
Effect of preferential tax treatments (ii).	(18,251)	(29,400)	(28,094)	(8,056)	(7,651)
Effect of tax losses not recognised	—	103	427	13	379
Recognition of previously unrecognised tax losses	(702)	—	—	—	—
PRC dividend withholding tax (iii).	4,474	9,173	8,954	2,432	2,526
Income tax expenses	24,956	38,392	36,140	10,027	12,743

- (i) Pursuant to the relevant rules and regulations of the Cayman Islands and the BVI, the Company is not subject to any income tax in the Cayman Islands and the BVI.

No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2012 and 2013. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Effective from January 1, 2008, the PRC's statutory income tax rate is 25%.

- (ii) Some of the Group's PRC subsidiaries are entitled to the following PRC preferential tax treatments:

Prior to January 1, 2008, Guangzhou Kaizhou and Guangzhou Xintao, being production-type foreign investment enterprises, were each entitled to a two-year full exemption from income tax followed by a three-year 50% reduction in income tax rate (the "2+3 tax holiday") starting from the first profit-making year from a PRC tax perspective.

On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "CIT Law") which became effective on January 1, 2008. The CIT Law and its relevant regulations grandfather the 2+3 tax holidays until they expire, and require them to commence on January 1, 2008 should they be not started earlier. Accordingly, Guangzhou Kaizhou and Guangzhou Xintao commenced their 2+3 tax holidays in 2008 and are subject to income tax at 0% for 2009, 12.5% from 2010 to 2012 and 25% from 2013 onwards.

Guangzhou Xintao was approved as a High and New Technology Enterprise in November 2012, which entitled it to the preferential income tax rate of 15% from 2012 to 2014. Under the CIT Law, where the transitional preferential enterprise income tax policies and the preferential policies prescribed under the CIT Law and its implementation rules overlap, an enterprise may choose the more favorable policy, but may not enjoy multiple preferential policies. Guangzhou Xintao chose to complete the grandfathered tax holiday of 12.5% for the overlapping year of 2012.

Guangzhou Haitao, Longmen Xilin, Huaihua Tianyuan, being entities engaged in wastewater treatment, are each entitled to a tax holiday of three-year full exemption followed by three-year 50% exemption on income tax on income derived from such activities (the "3+3 tax holiday") starting from the year in which the project first generates operating revenue. Guangzhou Haitao, Longmen Xilin and Huaihua Tianyuan started their 3+3 tax holidays in 2010, 2009 and 2010 respectively. Accordingly, Guangzhou Haitao and Huaihua Tianyuan are subject to income tax at 0% from 2010 to 2012, 12.5% from 2013 to 2015, and 25% from 2016 onwards; and Longmen Xilin is subject to income tax at 0% from 2009 to 2011, 12.5% from 2012 to 2014, and 25% from 2015 onwards.

(iii) PRC dividend withholding tax

According to the CIT Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding income tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since January 1, 2008. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident will be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise. As all of the Group's PRC subsidiaries are directly or indirectly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of the PRC dividend withholding tax.

8 Directors' remuneration

Details of Directors' remuneration of the Group are disclosed as follows:

	Year ended December 31, 2010				
	Directors'	Salaries, allowances and benefits in kind	Contribution to defined contribution retirement plans	Discretionary bonuses	Total
	fees	in kind	retirement plans	bonuses	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors					
Mr. Tsui Cham To	—	391	15	6	412
Mr. Xu Shubiao	—	123	4	10	137
Mr. Xu Juwen	—	—	—	—	—
Mr. Xu Zitao	—	67	4	—	71
Mr. Lu Yili	—	—	—	—	—
Sub-total	—	581	23	16	620
Non-executive directors					
Mr. Xu Zhencheng	—	—	—	—	—
Mr. Liu Yung Chau	—	—	—	—	—
Mr. Lam Ka Wai	—	—	—	—	—
Sub-total	—	—	—	—	—
Total	—	581	23	16	620

Year ended December 31, 2011

	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution retirement plans	Discretionary bonuses	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors					
Mr. Tsui Cham To	252	151	12	—	415
Mr. Xu Shubiao	—	138	26	—	164
Mr. Xu Juwen	—	—	—	—	—
Mr. Xu Zitao	—	71	14	—	85
Mr. Lu Yili	—	—	—	—	—
Sub-total	252	360	52	—	664
Non-executive directors					
Mr. Xu Zhencheng	—	—	—	—	—
Mr. Liu Yung Chau	—	—	—	—	—
Mr. Lam Ka Wai	—	—	—	—	—
Sub-total	—	—	—	—	—
Total	252	360	52	—	664

Year ended December 31, 2012

	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution retirement plans	Discretionary bonuses	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors					
Mr. Tsui Cham To	—	399	12	6	417
Mr. Xu Shubiao	—	145	16	11	172
Mr. Xu Juwen	—	—	—	—	—
Mr. Xu Zitao	—	76	8	6	90
Mr. Lu Yili	—	—	—	—	—
Sub-total	—	620	36	23	679
Non-executive directors					
Mr. Xu Zhencheng	—	—	—	—	—
Mr. Liu Yung Chau	—	—	—	—	—
Mr. Lam Ka Wai	—	—	—	—	—
Sub-total	—	—	—	—	—
Total	—	620	36	23	679

Four months ended April 30, 2013

	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution retirement plans	Discretionary bonuses	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors					
Mr. Tsui Cham To	—	136	5	6	147
Mr. Xu Shubiao	—	49	5	11	65
Mr. Xu Juwen	—	—	—	—	—
Mr. Xu Zitao	—	25	3	6	34
Mr. Lu Yili	—	—	—	—	—
Sub-total	—	210	13	23	246
Non-executive directors					
Mr. Xu Zhencheng	—	—	—	—	—
Mr. Liu Yung Chau	—	—	—	—	—
Mr. Lam Ka Wai	—	—	—	—	—
Sub-total	—	—	—	—	—
Total	—	210	13	23	246

Four months ended April 30, 2012 (unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution retirement plans	Discretionary bonuses	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors					
Mr. Tsui Cham To	—	133	4	6	143
Mr. Xu Shubiao	—	49	5	11	65
Mr. Xu Juwen	—	—	—	—	—
Mr. Xu Zitao	—	25	3	6	34
Mr. Lu Yili	—	—	—	—	—
Sub-total	—	207	12	23	242
Non-executive directors					
Mr. Xu Zhencheng	—	—	—	—	—
Mr. Liu Yung Chau	—	—	—	—	—
Mr. Lam Ka Wai	—	—	—	—	—
Sub-total	—	—	—	—	—
Total	—	207	12	23	242

During the Relevant Periods, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9 Individuals with highest emoluments

Of the five individuals with highest emoluments, two also were the directors of the Company during the Relevant Periods whose emoluments are disclosed in note 8. The emoluments in respect of the other three are as follows:

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Salaries and other emoluments . . .	505	1,330	1,558	527	603
Retirement scheme of defined contribution	15	32	34	11	13
Total	<u>520</u>	<u>1,362</u>	<u>1,592</u>	<u>538</u>	<u>616</u>

The emoluments of these remaining individuals with the highest emoluments are within the following bands:

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(unaudited)	
HKD					
Nil - 1,000,000	3	3	3	3	3

10 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the results for the Relevant Periods.

11 Segment reporting

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Supply of industrial water: this segment engages in the provision of industrial water supply service to generate turnover from the service.

- Provision of wastewater treatment plants operation services: this segment engages in the operation of wastewater treatment plants under the non-BOT arrangement to generate turnover from operation services.
- Wastewater project construction and operation services: this segment engages in the construction and operation of wastewater treatment plants in connection with BOT arrangement to generate turnover from construction and operation services as well as the finance income.
- Provision of heating services: this segment engages in the provision of heating service to generate turnover from the service.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted profit before interest, taxes, depreciation, amortisation and gain on acquisition of a subsidiary". To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profit of an associate, directors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, finance income and costs from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Segment assets and liabilities are not regularly reported to the Group's most senior executive management and therefore information of reportable segment assets and liabilities are not presented in these consolidated financial statements.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2012 and 2013 is set out below.

	Supply of industrial water				
	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Revenue from external customers.	<u>37,002</u>	<u>51,389</u>	<u>51,689</u>	<u>15,729</u>	<u>14,983</u>
Reportable segment revenue	37,002	51,389	51,689	15,729	14,983
Reportable profit before taxation (adjusted EBITDA)	29,193	38,729	37,157	10,629	10,735
Interest costs	(3,975)	(11,043)	(24,923)	(7,852)	(6,817)
Finance income	3,469	905	19	10	2
Depreciation and amortisation for the year / period	(2,000)	(2,485)	(2,890)	(900)	(1,026)
	Provision of wastewater treatment plants operation services				
	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Revenue from external customers.	<u>171,753</u>	<u>256,414</u>	<u>242,866</u>	<u>74,330</u>	<u>76,019</u>
Reportable segment revenue	171,753	256,414	242,866	74,330	76,019
Reportable profit before taxation (adjusted EBITDA)	117,053	202,608	190,266	57,277	56,750
Share of profit of an associate . . .	—	—	23,166	4,664	3,916
Interest costs	(10,235)	(8,061)	(2,311)	(662)	(750)
Finance income	5,561	1,173	94	58	7
Depreciation and amortisation for the year / period	(6,755)	(9,638)	(12,078)	(3,871)	(4,180)
Gain on acquisition of a subsidiary	5,592	—	—	—	—

	Wastewater project construction and operation services				
	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Revenue from external customers.	152,689	129,856	40,306	14,197	16,838
Reportable segment revenue.	152,689	129,856	40,306	14,197	16,838
Reportable profit before taxation (adjusted EBITDA).	27,705	23,240	16,764	4,261	7,869
Interest costs	(3,479)	(5,252)	(9,750)	(3,587)	(2,530)
Finance income	5	25	20	11	1
Depreciation and amortisation for the year / period.	(394)	(536)	(552)	(183)	(188)
				(unaudited)	
Provision of heating services					
	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
	(unaudited)				
Revenue from external customers.	—	24,601	48,945	10,870	25,892
Reportable segment revenue.	—	24,601	48,945	10,870	25,892
Reportable profit before taxation (adjusted EBITDA).	—	830	2,926	239	1,814
Depreciation and amortisation for the year / period.	—	(613)	(1,500)	(501)	(504)
Total					
	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
	(unaudited)				
Revenue from external customers.	361,444	462,260	383,806	115,126	133,732
Reportable segment revenue.	361,444	462,260	383,806	115,126	133,732
Reportable profit before taxation (adjusted EBITDA).	173,951	265,407	247,113	72,406	77,168
Share of profit of an associate . . .	—	—	23,166	4,664	3,916
Interest costs	(17,689)	(24,356)	(36,984)	(12,101)	(10,097)
Finance income	9,035	2,103	133	79	10
Depreciation and amortisation for the year / period.	(9,149)	(13,272)	(17,020)	(5,455)	(5,898)
Gain on acquisition of a subsidiary.	5,592	—	—	—	—

(b) Reconciliations of reportable segment turnover and profits

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Turnover					
Reportable segment turnover	<u>361,444</u>	<u>462,260</u>	<u>383,806</u>	<u>115,126</u>	<u>133,732</u>
Consolidated turnover	<u>361,444</u>	<u>462,260</u>	<u>383,806</u>	<u>115,126</u>	<u>133,732</u>

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Profit					
Reportable profit before taxation .	<u>173,951</u>	<u>265,407</u>	<u>247,113</u>	<u>72,406</u>	<u>77,168</u>
Share of profit of an associate . . .	—	—	23,166	4,664	3,916
Gain on acquisition of a subsidiary	5,592	—	—	—	—
Interest costs	(17,689)	(24,356)	(36,984)	(12,101)	(10,097)
Finance income	9,035	2,103	133	79	10
Depreciation and amortisation . . .	(9,149)	(13,272)	(17,020)	(5,455)	(5,898)
Unallocated head office and corporate expenses	<u>(10,482)</u>	<u>(26,220)</u>	<u>(2,918)</u>	<u>(829)</u>	<u>(2,984)</u>
Consolidated profit before taxation	<u>151,258</u>	<u>203,662</u>	<u>213,490</u>	<u>58,764</u>	<u>62,115</u>

(c) Geographic information

Analysis of the Group's turnover and results by geographical market has not been presented as substantially all of the Group's revenue and assets are generated and located in the PRC.

12 Property, plant and equipment

	Buildings and other infrastructure	Machinery	Office equipment and others	Construction in progress	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Cost:					
At January 1, 2010	71,492	75,533	1,471	73	148,569
Additions through acquisition of a subsidiary (note 2)	—	—	18	—	18
Additions	212	1,833	1,061	11,286	14,392
Transfer from construction in progress ..	719	60	22	(801)	—
Disposal	—	(1,410)	(100)	—	(1,510)
Exchange adjustments	2,486	2,628	52	2	5,168
At December 31, 2010	74,909	78,644	2,524	10,560	166,637
Additions	15,482	49,708	535	45,306	111,031
Transfer from construction in progress ..	45,480	259	233	(45,972)	—
Exchange adjustments	5,008	4,960	138	511	10,617
At December 31, 2011	140,879	133,571	3,430	10,405	288,285
Additions	19,382	958	737	40,158	61,235
Transfer from construction in progress ..	47	8,561	—	(8,608)	—
Disposal	—	(4,943)	—	—	(4,943)
Exchange adjustments	45	(6)	2	105	146
At December 31, 2012	160,353	138,141	4,169	42,060	344,723
Additions	—	306	111	77,703	78,120
Exchange adjustments	1,924	1,660	50	1,050	4,684
At April 30, 2013	<u>162,277</u>	<u>140,107</u>	<u>4,330</u>	<u>120,813</u>	<u>427,527</u>
Accumulated depreciation:					
At January 1, 2010	(15,914)	(23,648)	(638)	—	(40,200)
Charge for the year	(3,265)	(5,002)	(298)	—	(8,565)
Written-off on disposals	—	494	6	—	500
Exchange adjustments	(630)	(940)	(29)	—	(1,599)
At December 31, 2010	(19,809)	(29,096)	(959)	—	(49,864)
Charge for the year	(5,152)	(7,083)	(402)	—	(12,637)
Exchange adjustments	(1,092)	(1,593)	(57)	—	(2,742)
At December 31, 2011	(26,053)	(37,772)	(1,418)	—	(65,243)
Charge for the year	(7,128)	(8,713)	(533)	—	(16,374)
Written-off on disposals	—	2,340	—	—	2,340
Exchange adjustments	(20)	(16)	(2)	—	(38)
At December 31, 2012	(33,201)	(44,161)	(1,953)	—	(79,315)
Charge for the period	(2,496)	(2,980)	(204)	—	(5,680)
Exchange adjustments	(416)	(551)	(25)	—	(992)
At April 30, 2013	<u>(36,113)</u>	<u>(47,692)</u>	<u>(2,182)</u>	<u>—</u>	<u>(85,987)</u>
Carrying amount:					
At December 31, 2010	<u>55,100</u>	<u>49,548</u>	<u>1,565</u>	<u>10,560</u>	<u>116,773</u>
At December 31, 2011	<u>114,826</u>	<u>95,799</u>	<u>2,012</u>	<u>10,405</u>	<u>223,042</u>
At December 31, 2012	<u>127,152</u>	<u>93,980</u>	<u>2,216</u>	<u>42,060</u>	<u>265,408</u>
At April 30, 2013	<u>126,164</u>	<u>92,415</u>	<u>2,148</u>	<u>120,813</u>	<u>341,540</u>

- (i) Substantively all property, plant and equipment owned by the Group are located in the PRC.
- (ii) The carrying amount of property, plant and equipment pledged to secure the Group's bank loans as at December 31, 2010, 2011 and 2012 and April 30, 2013 is set out below:

	As at December 31,			As at
	2010	2011	2012	April 30,
	HKD'000	HKD'000	HKD'000	2013
				HKD'000
Carrying amount of pledged property, plant and equipment	<u>2,306</u>	<u>1,146</u>	<u>1,070</u>	<u>1,057</u>

13 Lease prepayments

	Land use rights
	HKD'000
Cost:	
At January 1, 2010	8,466
Exchange adjustments	<u>294</u>
At December 31, 2010	8,760
Additions	21,583
Exchange adjustments	<u>892</u>
At December 31, 2011	31,235
Exchange adjustments	<u>(5)</u>
At December 31, 2012	31,230
Exchange adjustments	<u>375</u>
At April 30, 2013	<u>31,605</u>
Accumulated amortisation:	
At January 1, 2010	(306)
Charge for the year	(245)
Exchange adjustments	<u>(16)</u>
At December 31, 2010	(567)
Charge for the year	(257)
Exchange adjustments	<u>(34)</u>
At December 31, 2011	(858)
Charge for the year	(262)
Exchange adjustments	<u>(1)</u>
At December 31, 2012	(1,121)
Charge for the period	(88)
Exchange adjustments	<u>(14)</u>
At April 30, 2013	<u>(1,223)</u>
Carrying amount:	
At December 31, 2010	<u>8,193</u>
At December 31, 2011	<u>30,377</u>
At December 31, 2012	<u>30,109</u>
At April 30, 2013	<u>30,382</u>

Lease prepayments represent prepayments of land use rights premium to the PRC authorities by the Group. The Group's leasehold lands are located in the PRC, on which its manufacturing plants were built. The Group is granted the land use rights for a period of 35 years and 50 years. At April 30, 2013, the remaining period of the land use rights was 30 years and 49 years.

As at December 31, 2010, 2011 and 2012 and April 30, 2013, the carrying amount of lease prepayments pledged to secure the Group's bank loans is set out below:

	As at December 31,			As at
	2010	2011	2012	April 30,
	HKD'000	HKD'000	HKD'000	2013
				HKD'000
Carrying amount of pledged lease prepayments	<u>8,193</u>	<u>8,337</u>	<u>8,073</u>	<u>8,081</u>

Amortisation of lease prepayments for land use rights is included in the general and administrative expenses.

14 Intangible assets

	<u>Wastewater treatment plants operating right</u>
	HKD'000
Cost:	
At January 1, 2010	—
Addition through acquisition of a subsidiary (note 2)	9,216
Exchange adjustments	<u>303</u>
At December 31, 2010	9,519
Exchange adjustments	<u>472</u>
At December 31, 2011	9,991
Exchange adjustments	<u>(1)</u>
At December 31, 2012	9,990
Exchange adjustments	<u>120</u>
At April 30, 2013	<u>10,110</u>
Amortisation:	
At January 1, 2010	—
Amortisation	(339)
Exchange adjustments	<u>(8)</u>
At December 31, 2010	(347)
Amortisation	(389)
Exchange adjustments	<u>(25)</u>
At December 31, 2011	(761)
Amortisation	(396)
Exchange adjustments	<u>(1)</u>
At December 31, 2012	(1,158)
Amortisation	(133)
Exchange adjustments	<u>(15)</u>
At April 30, 2013	<u>(1,306)</u>
Carrying amount:	
At December 31, 2010	<u>9,172</u>
At December 31, 2011	<u>9,230</u>
At December 31, 2012	<u>8,832</u>
At April 30, 2013	<u>8,804</u>

The intangible assets represent the fair value of wastewater treatment plants operating right (the "Operating Right") acquired. The Operating Right was deemed to be definite life intangible asset as the BOT arrangement stated that the operation period for Huaihua Tianyuan is 25 years. It is expected to generate long-term net cash income to the Group.

The recoverable amount of the Operating Right is estimated based on its future cash inflow forecast and using an after-tax discount rate of 17.13% during the year. The recoverable amount is estimated to be higher than the carrying amount, and no impairment is required.

Amortisation of intangible assets is included in the general and administrative expenses.

15 Interests in an associate

On September 15, 2011, the Group entered into an agreement ("Agreement") with two independent third parties (the "Parties") for investment in a waste water processing project (the "Project") in Guangzhou, the PRC. Based on the Agreement, the Group and the Parties agreed to form a project company (the "Project Company") to be owned by them as to 46% and 54%, respectively and the Group was obligated to bid for the Project on behalf of the Project Company. A deposit of HKD 122,166,000 was paid by the Group as at December 31, 2011 (note 18) for the investment, in which HKD 56,762,000 and HKD 65,404,000 represented the Group's shares and the Parties' shares respectively. The Group paid HKD 65,404,000 investment deposit on behalf of the Parties, and HKD 47,757,000 and nil (section A note 6) were paid during the year ended December 31, 2012 and the four months ended April 30, 2013.

As part of the Agreement, Guangzhou Yinglong Wastewater Treatment Company Limited ("Guangzhou Yinglong") with paid up capital of HKD 1,230,000 (equivalent to RMB 1,000,000) was established on February 27, 2012 as the Project Company. The Project, with aggregate value of HKD 293,031,000 (equivalent to RMB 238,411,000), was transferred to Guangzhou Yinglong after the establishment of Guangzhou Yinglong in accordance with the Agreement.

For acquisition of 46% equity interests of Guangzhou Yinglong, an amount of HKD 78,598,000 (section A note 6) was further paid by the Group as part of the consideration during the year ended December 31, 2012. Together with the investment deposit of HKD 56,762,000 paid by the Group during the year ended December 31, 2011, the total consideration paid by the Group for acquisition of Guangzhou Yinglong was HKD 135,360,000 (equivalent to RMB 110,129,000).

In March and April 2013, Guangzhou Yinglong obtained a bank loan of HKD 249,620,000 (equivalent to RMB 200,000,000) from a bank in the PRC. The bank loan is repayable on a monthly basis and maturing on March 27, 2023. The loan carries floating interest rates of 6.55% during the four months ended April 30, 2013. The bank loan was jointly guaranteed by Guangzhou Kaizhou, Guangzhou Xintao, Guangzhou Haitao and the other shareholders of Guangzhou Yinglong (note 28) and was secured by the charge rights of wastewater processing in Guangzhou Yinglong (note 29(c)).

	As at December 31,			As at
	2010	2011	2012	April 30,
	HKD'000	HKD'000	HKD'000	2013
				HKD'000
Share of net assets	—	—	159,067	164,919

The particulars of the associate are set out below:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal Activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Guangzhou Yinglong (廣州盈隆污水處理有限公司) (i)	Limited liability company	Guangzhou, the PRC	RMB 80,000,000	46%	—	46%	Provision of wastewater processing service

(i) The official name of the entity is in Chinese. The English translation of the name is for reference only.

Summary of financial information on the associate:

	As at December 31, 2012		As at April 30, 2013	
	100%	Group's effective interest	100%	Group's effective interest
	HKD'000	HKD'000	HKD'000	HKD'000
Assets	363,166	167,056	678,722	312,212
Liabilities	(17,368)	(7,989)	(320,203)	(147,293)
Equity	<u>345,798</u>	<u>159,067</u>	<u>358,519</u>	<u>164,919</u>

	For the year ended December 31,		For the four months ended April 30,			
	2012		2012 (unaudited)		2013	
	100%	Group's effective interest	100%	Group's effective interest	100%	Group's effective interest
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Turnover	127,701	58,742	29,237	13,449	37,145	17,087
Profit	<u>50,361</u>	<u>23,166</u>	<u>10,140</u>	<u>4,664</u>	<u>8,512</u>	<u>3,916</u>

16 Gross amounts due from customers for contract work

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Gross amounts due from customers for contract work				
- Non-current	161,293	247,957	244,085	245,377
- Current	<u>12,529</u>	<u>20,996</u>	<u>21,445</u>	<u>21,703</u>
	<u>173,822</u>	<u>268,953</u>	<u>265,530</u>	<u>267,080</u>

Certain subsidiaries of the Group entered into service concession arrangements with the grantors. Pursuant to the service concession arrangements, the Group has to design, construct and operate and manage wastewater treatment plants in the PRC for a period of 25 to 30 years. The Group has the obligation to maintain the wastewater treatment plants in good condition. The grantors guarantee that the Group will receive minimum annual payments in connection with the arrangements. Upon expiry of the concession periods, the wastewater treatment plants and the related facilities will be transferred to the local government authorities.

The service concession arrangements do not contain renewal options. The standard rights of the grantors to terminate the agreements include failure of the Group to construct or operate the wastewater treatment plants and in the event of a material breach of the terms of the agreements. The standard rights of the Group to terminate the agreements include failure of the grantors to make payment under the agreements and in the event of a material breach of the terms of the agreements.

Revenue relates to the construction services provided in constructing the wastewater treatment plants is recognised as "Gross amounts due from customers for contract work" in the Financial Information.

"Gross amounts due from customers for contract work" represent revenue from construction under BOT arrangements and bear interest at rate of 5.94%, 6.18%, 6.25% and 6.25% per annum for each of the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2013 respectively. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

17 Inventories

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Raw materials	<u>353</u>	<u>758</u>	<u>627</u>	<u>842</u>

Inventories mainly comprise materials consumed during the supply of industrial water, provision of wastewater processing services and wastewater project operation services.

Amounts of inventories recognised as expenses were HKD 32,943,000, HKD 50,710,000, HKD 35,396,000, HKD 13,156,000 (unaudited) and HKD 10,583,000 respectively for the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2012 and 2013.

18 Trade and other receivables

The Group

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Current				
Trade receivables from third parties	33,226	71,452	76,179	97,703
Prepayments and other receivables	5,790	10,108	34,286	41,720
Amounts due from related parties (note 29(d)(i))	<u>350,838</u>	<u>66,724</u>	<u>153,469</u>	<u>157,166</u>
	<u>389,854</u>	<u>148,284</u>	<u>263,934</u>	<u>296,589</u>
Non-current				
Prepayments for purchase of equipment	—	25,081	133,542	140,706
Investment deposits (note 15)	<u>—</u>	<u>122,166</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>147,247</u>	<u>133,542</u>	<u>140,706</u>
Total	<u>389,854</u>	<u>295,531</u>	<u>397,476</u>	<u>437,295</u>

The Company

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Current				
Other receivables	—	97	286	285
Amount due from a related party	<u>—</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total	<u>—</u>	<u>107</u>	<u>296</u>	<u>295</u>

All of the prepayments and other receivables (including amounts due from related parties), apart from those classified as non-current portion, are expected to be recovered or recognised as expense within one year.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Within 1 month	29,479	41,572	49,432	52,542
1 to 3 months	3,564	14,468	14,105	28,194
Over 3 months but within 1 year	183	15,412	12,642	16,967
	<u>33,226</u>	<u>71,452</u>	<u>76,179</u>	<u>97,703</u>

Trade debtors are usually due within 30 days from the date of billing. Further details on the Group's credit policy are set out in note 26(a).

Past due trade receivables are amounts due from the People's Government of Zengcheng City and Huaihua City and a state-owned enterprise, regarding the wastewater construction and operation service provided by Guangzhou Haitao and Huaihua Tianyuan. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as these balances are usually settled within one year from due date.

No impairment losses in respect of trade receivables were recorded at each of the end of the reporting period as the Group is satisfied with the recoverability of the amounts.

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

19 Cash and cash equivalents

The Group

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Cash on hand	397	449	664	422
Cash at bank	<u>15,968</u>	<u>51,518</u>	<u>9,799</u>	<u>10,481</u>
	<u>16,365</u>	<u>51,967</u>	<u>10,463</u>	<u>10,903</u>

The majority of the cash at bank and on hand are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

The Company

	As at December 31,			As at
	2010	2011	2012	April 30,
	HKD'000	HKD'000	HKD'000	2013
Cash at bank	—	117	44	59

20 Trade and other payables*The Group*

	As at December 31,			As at
	2010	2011	2012	April 30,
	HKD'000	HKD'000	HKD'000	2013
Trade payables (note (ii)).	9,447	23,366	37,452	47,666
Other payables and accruals	32,351	66,519	48,844	55,641
Amounts due to related parties (note 29(d)(ii)).	77,137	44,084	14,920	70,844
	<u>118,935</u>	<u>133,969</u>	<u>101,216</u>	<u>174,151</u>

The Company

	As at December 31,			As at
	2010	2011	2012	April 30,
	HKD'000	HKD'000	HKD'000	2013
Other payables	—	2,164	1	1
Amounts due to related parties	—	5,136	7,817	7,952
Total	<u>—</u>	<u>7,300</u>	<u>7,818</u>	<u>7,953</u>

- (i) All of the trade payables, other payables and accruals are expected to be settled within 12 months or are repayable on demand.
- (ii) The credit period granted by the suppliers ranges from 30 days to 90 days.

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

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Within 1 month	4,508	18,161	16,768	19,013
1 to 3 months	4,918	1,693	18,379	26,111
Over 3 months but within 1 year	21	3,512	2,305	2,542
	<u>9,447</u>	<u>23,366</u>	<u>37,452</u>	<u>47,666</u>

21 Loans and borrowings

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Bank loans				
Within 1 year or on demand.	<u>17,644</u>	<u>32,762</u>	<u>82,039</u>	<u>85,520</u>
Sub-total	<u>17,644</u>	<u>32,762</u>	<u>82,039</u>	<u>85,520</u>
After 1 year but within 2 years	19,414	32,762	47,507	53,069
After 2 years but within 5 years	227,354	118,021	172,119	177,929
After 5 years	<u>54,890</u>	<u>265,918</u>	<u>297,734</u>	<u>279,418</u>
Sub-total	<u>301,658</u>	<u>416,701</u>	<u>517,360</u>	<u>510,416</u>
Loan from a third party				
Within 1 year or on demand.	<u>—</u>	<u>35,000</u>	<u>—</u>	<u>—</u>
Total	<u>319,302</u>	<u>484,463</u>	<u>599,399</u>	<u>595,936</u>

- (i) All bank loans as at December 31, 2010, 2011 and 2012 and April 30, 2013 were floating-rate loans denominated in RMB borrowed from Industrial and Commercial Bank of China. The loan from Emperor Glory Investments Limited, an independent third party, was fixed rate loan dominated in HKD carried interest rate of 10%.

The loans and borrowings carried floating interest rates of 5.67% to 5.94%, 6.60% to 7.05%, 6.55% to 7.22% and 6.00% to 7.05% for the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2013, respectively.

- (ii) Bank loans amounted to HKD 319,302,000, HKD 449,463,000, HKD 453,632,000 and HKD 450,314,000 as at December 31, 2010, 2011 and 2012 and April 30, 2013 respectively were secured by the charge rights of water supply in Guangzhou Kaizhou, the charge rights of wastewater processing in Guangzhou Xintao and Guangzhou Haitao and the Group's buildings and land-use rights. Details of the secured assets are disclosed in notes 12 and 13.

A bank loan amounted to HKD 171,227,000 was guaranteed by a third party as at December 31, 2010.

22 Income tax in the consolidated statements of financial position

(a) *Current taxation in the consolidated statements of financial position represents:*

	<u>HKD'000</u>
At January 1, 2010	—
Provision for PRC income tax (note 7(a))	17,074
Provision for PRC dividend withholding tax (note 7(a))	5,054
PRC income tax paid	(11,711)
Exchange adjustment	<u>125</u>
At December 31, 2010	10,542
Provision for PRC income tax (note 7(a))	29,499
Provision for PRC dividend withholding tax (note 7(a))	7,144
PRC income tax paid	(25,331)
PRC dividend withholding tax paid	(12,004)
Exchange adjustment	<u>155</u>
At December 31, 2011	10,005
Provision for PRC income tax (note 7(a))	25,043
Provision for PRC dividend withholding tax (note 7(a))	6,253
PRC income tax paid	(22,333)
PRC dividend withholding tax paid	(6,253)
Exchange adjustment	<u>(3)</u>
At December 31, 2012	<u>12,712</u>
Provision for PRC income tax (note 7(a))	9,805
PRC income tax paid	(12,662)
Exchange adjustment	<u>193</u>
At April 30, 2013	<u><u>10,048</u></u>

(b) *The components of deferred tax assets / (liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:*

Deferred tax arising from	PRC dividend withholding tax	Revenue recognition	Intangible assets	Government grant	Unused tax loss	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At January 1, 2010	(5,150)	(443)	—	—	—	(5,593)
Credited / (charged) to profit or loss	580	(4,292)	—	—	884	(2,828)
Addition through acquisition (note 2)	—	—	(1,889)	—	—	(1,889)
Exchange adjustment	(285)	(115)	(62)	—	21	(441)
At December 31, 2010	<u>(4,855)</u>	<u>(4,850)</u>	<u>(1,951)</u>	<u>—</u>	<u>905</u>	<u>(10,751)</u>
At January 1, 2011	(4,855)	(4,850)	(1,951)	—	905	(10,751)
(Charged) / credited to profit or loss	(2,029)	(3,021)	—	3,573	(272)	(1,749)
Exchange adjustment	(45)	(305)	(97)	76	38	(333)
At December 31, 2011	<u>(6,929)</u>	<u>(8,176)</u>	<u>(2,048)</u>	<u>3,649</u>	<u>671</u>	<u>(12,833)</u>
At January 1, 2012	(6,929)	(8,176)	(2,048)	3,649	671	(12,833)
Charged to profit or loss . . .	(2,701)	(1,743)	—	—	(400)	(4,844)
Exchange adjustment	(8)	(4)	—	(1)	(1)	(14)
At December 31, 2012	<u>(9,638)</u>	<u>(9,923)</u>	<u>(2,048)</u>	<u>3,648</u>	<u>270</u>	<u>(17,691)</u>
At January 1, 2013	(9,638)	(9,923)	(2,048)	3,648	270	(17,691)
Charged to profit or loss . . .	(2,526)	(205)	(18)	—	(189)	(2,938)
Exchange adjustment	(134)	(121)	10	44	2	(199)
At April 30, 2013	<u>(12,298)</u>	<u>(10,249)</u>	<u>(2,056)</u>	<u>3,692</u>	<u>83</u>	<u>(20,828)</u>

The deferred taxation is recognised on the consolidated statements of financial position as follows:

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Deferred tax liabilities recognised on the consolidated statements of financial position	(11,656)	(17,153)	(21,609)	(24,603)
Deferred tax assets recognised on the consolidated statements of financial position	<u>905</u>	<u>4,320</u>	<u>3,918</u>	<u>3,775</u>
	<u>(10,751)</u>	<u>(12,833)</u>	<u>(17,691)</u>	<u>(20,828)</u>

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain PRC subsidiaries of HKD nil, HKD 412,000, HKD 2,120,000 and HKD 3,641,000 as at December 31, 2010, 2011 and 2012 and April 30, 2013 respectively, as it is not probable that future taxable income against which the losses can be utilised will be available. As at April 30, 2013, tax losses for these PRC subsidiaries amounting to HKD 412,000, HKD 1,708,000 and HKD 1,521,000 will expire, if unused, by the end of 2016, 2017 and 2018, respectively.

(d) Deferred tax liabilities not recognised

As at April 30, 2013, taxable temporary differences relating to the interests in an associate amounted to HKD 27,467,000. No deferred tax liabilities were recognised as at April 30, 2013 as future dividends from this associate to the Guangzhou Xintao, the direct shareholder of Yinglong, are exempted from PRC income tax and the Group has no plan to dispose the associate in the foreseeable future.

23 Deferred income

Deferred income consists of a deferred government grant. The grant from local government was conditional and the conditions would be fulfilled upon the completion of construction of certain fixed assets of Guangyuan Xizhou. The grant will be recognised as income in profit or loss on a systematic basis over the useful life of the fixed assets.

24 Capital, reserves and dividends

(a) Share capital

As disclosed in Section A, the Financial Information has been prepared under the merger accounting method in that financial statements of the companies comprising the Group during the Relevant Periods were combined as if the Group existed on January 1, 2010.

For the purpose of this report, the capital of the Group as at January 1, 2010 represented the capital of Xi Zhou Enterprises and 60% equity interests in Guangzhou Xinzhou.

Pursuant to the Reorganisation, the Group acquired 60% equity interests in Guangzhou Xinzhou from the company controlled by Mr. Tsui at a consideration of HKD 6,856,000 and Guangzhou Xinzhou became a subsidiary of the Group since June 3, 2010.

The capital of the Group as at December 31, 2010 represented the capital of Xi Zhou Enterprises which was then the holding company of the companies now comprising the Group.

Pursuant to the Reorganisation completed on May 31, 2011, the Company became the holding company of the companies now comprising the Group. The capital of the Company as at December 31, 2011, 2012 and April 30, 2013 represented the share capital of Company. The authorised and issued share capital of the Company during the Relevant Periods are as follows:

(i) *Authorised share capital of the Company*

	<u>Number of shares</u>	<u>HKD</u>
At January 1, 2010	—	—
Creation of shares upon incorporation on November 30, 2010 at HKD 0.1 each	<u>3,800,000</u>	<u>380,000</u>
At December 31, 2010 and January 1, 2011	3,800,000	380,000
Creation of 3,996,200,000 ordinary shares on June 14, 2011 at HKD 0.1 each	<u>3,996,200,000</u>	<u>399,620,000</u>
At December 31, 2011, January 1, 2012, December 31, 2012, January 1, 2013 and April 30, 2013	<u>4,000,000,000</u>	<u>400,000,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) *Issued share capital of the Company*

	<u>Number of shares</u>	<u>HKD</u>
At January 1, 2010	—	—
Share issued upon incorporation on November 30, 2010 at HKD 0.1 each	<u>1</u>	<u>—</u>
At December 31, 2010 and January 1, 2011	1	—
999,999 shares issued on March 25, 2011 at HKD 0.1 each	<u>999,999</u>	<u>100,000</u>
At December 31, 2011, January 1, 2012, December 31, 2012, January 1, 2013 and April 30, 2013	<u>1,000,000</u>	<u>100,000</u>

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At November 30, 2010, December 31, 2010 and January 1, 2011	—	—	—	—	—
Shares issued on March 25, 2011 (note 24(a)(ii))	100	(90)	—	—	10
Arising from Reorganisation (note 24(b)(iii))	—	—	197,627	—	197,627
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,086)</u>	<u>(7,086)</u>
At December 31, 2011 and January 1, 2012	100	(90)	197,627	(7,086)	190,551
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(402)</u>	<u>(402)</u>
At December 31, 2012 and January 1, 2013	100	(90)	197,627	(7,488)	190,149
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(121)</u>	<u>(121)</u>
At April 30, 2013	<u>100</u>	<u>(90)</u>	<u>197,627</u>	<u>(7,609)</u>	<u>190,028</u>
(Unaudited)					
At January 1, 2012	100	(90)	197,627	(7,086)	190,551
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(144)</u>	<u>(144)</u>
At April 30, 2012	<u>100</u>	<u>(90)</u>	<u>197,627</u>	<u>(7,230)</u>	<u>190,407</u>

(i) PRC statutory reserves

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the Directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

Appropriation to general reserve fund had been approved by the Directors of the PRC subsidiaries for the Relevant Periods.

(ii) Foreign currency translation reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than HKD. The reserve is dealt with in accordance with the accounting policy set out in note 1(g).

(iii) Capital reserve

The capital reserve of the Group represents the difference between (a) the nominal value of share capital of a subsidiary acquired; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group on May 31, 2011.

The capital reserve of the Company represents the excess of the consolidated net assets represented by the shares acquired over the nominal value of shares issued by the Company in exchange under the Reorganisation.

(c) Distributability of reserve

Prior to the completion of the Reorganisation and on the basis set out in note 1(b) of Section B above, the aggregate amounts of reserves available for distribution to equity holders of the Group as at December 31, 2010 was HKD 198,660,000. The profit distribution of Guangzhou Haitao is subject to certain covenants in a loan agreement entered into in 2010. The profit can be distributed after a full repayment of bank loan and related interests or the approval of bank. Guangzhou Haitao recorded accumulated losses as at December 31, 2010 in the statutory financial statements.

After the completion of the Reorganization, the Company became the holding company of the companies now comprising the Group. The aggregate amounts of reserves available for distribution to equity holders of the Company as at December 31, 2011, 2012 and April 30, 2013 were HKD 190,451,000, HKD 190,049,000 and HKD 189,928,000 respectively, which comprises of share premium, accumulated losses and capital reserves of the Company.

(d) Dividends

No dividend was declared by the Company during the period from November 30, 2010 (date of incorporation) to April 30, 2013.

On March 11, April 1, April 19 and May 30, 2011, Xi Zhou Enterprises declared dividends of HKD 95,000,000, HKD 87,000,000, HKD 6,000,000 and HKD 19,489,000 respectively to its then equity holders. All dividends declared during the year represent dividends attributable to previous financial years. All declared dividends were paid by cash during the year ended December 31, 2011. No dividend was declared by Xi Zhou Enterprises during the year ended December 31, 2012 and the four months ended April 30, 2013.

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group uses different measures including adjusted net debt-to-equity ratios to monitor its capital. Net debt is calculated as total borrowings (including loans and borrowings), as shown in the consolidated statements of financial position less cash and bank deposits. Total capital is calculated as total equity, as shown in the consolidated statements of financial position.

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Loans and borrowings (note 21)	319,302	484,463	599,399	595,936
Total borrowings	319,302	484,463	599,399	595,936
Less:				
Cash and cash equivalents (note 19)	16,365	51,967	10,463	10,903
Net debt	302,937	432,496	588,936	585,033
Total equity	255,002	223,993	391,902	446,035
Adjusted net debt-to-equity ratio	1.19	1.93	1.50	1.31

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 Acquisition of non-controlling interests

On June 3, 2010, the Group acquired an additional 40% interest in Guangzhou Xinzhou for RMB 4 million, equivalent to HKD 4,571,000, increasing its ownership from 60% to 100%. The carrying amount of Guangzhou Xinzhou's net assets in the Financial Information on the date of the acquisition was HKD 5,390,000. The Group recognised a decrease in non-controlling interests of HKD 2,156,000 and a decrease in retained earnings of HKD 2,415,000.

On July 28, 2010, the Group acquired an additional 48% interest from Guangzhou To Kee, a related party, in Guangzhou Haitao for RMB 14.5 million, equivalent to HKD 16,347,000, increasing its ownership from 51% to 99%. The carrying amount of Guangzhou Haitao's net assets in the Financial Information on the date of the acquisition was HKD 40,275,000. The Group recognised a decrease in non-controlling interests of HKD 19,332,000 and an increase in retained earnings of HKD 2,985,000.

On August 12, 2010, the Group acquired an additional 15% equity interests in Huaihua Tianyuan for RMB 1.5 million, equivalent to HKD 1,707,000, increasing its ownership from 60% to 75%. The carrying amount of Huaihua Tianyuan's net assets in the Financial Information on the date of the acquisition was HKD 25,350,000. The Group recognised a decrease in non-controlling interests of HKD 3,803,000 and an increase in retained earnings of HKD 2,096,000. (note 2)

On January 10, 2012, the Group acquired the remaining 25% equity interests in Huaihua Tianyuan for RMB 8.5 million, equivalent to HKD 10,427,000, increasing its ownership from 75% to 100%. The carrying amount of Huaihua Tianyuan's net assets in the Financial Information on the date of the acquisition was HKD 33,498,000. The Group recognised a decrease in non-controlling interests of HKD 8,375,000 and a decrease in retained earnings of HKD 2,052,000. (note 2)

26 Financial risk management and fair value

Exposure to credit, liquidity, interest rate and foreign currency risks arises in normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Management has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis. Debts are usually due within 30 days from the date of billing.

Debtors of the Group represent receivables in respect of revenue from supply of industrial water, revenue from wastewater processing service and revenue from wastewater treatment plants operation services which are settled on a monthly basis. In addition, the Group has gross amounts due from customers for contract work and other receivables in respect of the BOT arrangements.

As at December 31, 2010, 2011 and 2012 and April 30, 2013, trade and other receivables and gross amounts due from customers for contract work of the Group amounted to HKD 563,676,000, HKD 564,484,000, HKD 663,006,000 and HKD 704,375,000 respectively, of which HKD 83,963,000, HKD 181,058,000, HKD 11,111,000 and HKD 20,366,000 were due from the largest customer and HKD 190,127,000, HKD 201,467,000, HKD 194,893,000 and HKD 213,722,000 were due from the five largest customers in aggregate of the Group. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Since the parties to BOT arrangements are local government authorities in the PRC, the Group considers the credit risk is low.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Except for the financial guarantee given by the Group as set out in note 28, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of the financial guarantee at the end of the reporting period is disclosed in note 28.

Further quantities disclosures in respect of the Group's exposure to credit risk arising from "Gross amounts due from customers for contract work" as well as "Trade and other receivables" are set out in notes 16 and 18, respectively.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it maintains sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions to meet its liquidity requirement in the short and longer term. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The following tables show the remaining contractual maturities at the date of statement of financial positions of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the date of statement of financial position) and the earliest date the Group and the Company can be required to pay:

The Group

December 31, 2010					
Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Loans and borrowings	18,652	260,760	58,150	337,562	319,302
Trade and other payables	118,935	—	—	118,935	118,935
Total	<u>137,587</u>	<u>260,760</u>	<u>58,150</u>	<u>456,497</u>	<u>438,237</u>

December 31, 2011					
Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Loans and borrowings	101,449	247,298	320,242	668,989	484,463
Trade and other payables	133,969	—	—	133,969	133,969
Total	<u>235,418</u>	<u>247,298</u>	<u>320,242</u>	<u>802,958</u>	<u>618,432</u>

December 31, 2012					
Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Loans and borrowings	121,847	334,167	348,741	804,755	599,399
Trade and other payables	101,216	—	—	101,216	101,216
Total	<u>223,063</u>	<u>334,167</u>	<u>348,741</u>	<u>905,971</u>	<u>700,615</u>

April 30, 2013

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Loans and borrowings	121,890	335,476	322,018	779,384	595,936
Trade and other payables	174,151	—	—	174,151	174,151
Total	<u>296,041</u>	<u>335,476</u>	<u>322,018</u>	<u>953,535</u>	<u>770,087</u>

The Company

December 31, 2011

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Other payables	<u>7,300</u>	<u>—</u>	<u>—</u>	<u>7,300</u>	<u>7,300</u>

December 31, 2012

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Other payables	<u>7,818</u>	<u>—</u>	<u>—</u>	<u>7,818</u>	<u>7,818</u>

April 30, 2013

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Carrying amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Other payables	<u>7,953</u>	<u>—</u>	<u>—</u>	<u>7,953</u>	<u>7,953</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from loans and borrowings. Loans and borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

At the end of reporting period, the interest rate profile of the Group's interest-bearing borrowings is set out below:

	As at December 31,				As at April 30,			
	2010		2011		2012		2013	
	Effective interest rate	Carrying amount HKD'000	Effective interest rate	Carrying amount HKD'000	Effective interest rate	Carrying amount HKD'000	Effective interest rate	Carrying amount HKD'000
Net fixed rate borrowings:								
Loans and borrowings	—	—	10%	35,000	—	—	—	—
Variable rate borrowings:								
Loans and borrowings5.66%/5.94%	319,302	6.60%/7.05%	449,463	6.55%/7.05%	599,399	6.00%/7.05%	595,936
Total borrowings: . .		<u>319,302</u>		<u>484,463</u>		<u>599,399</u>		<u>595,936</u>
Total fixed rate borrowings as a percentage of total borrowings:		<u>—</u>		<u>7.22%</u>		<u>—</u>		<u>—</u>

(ii) Sensitivity analysis

As at December 31, 2010, 2011 and 2012 and April 30, 2013, if interest rates on borrowings had been 100 basis points higher / lower with all other variables held constant, profit before tax for the year / period would have been HKD 3,193,000, HKD 4,495,000, HKD 5,994,000 and HKD 1,986,000 lower / higher, respectively, mainly as a result of higher / lower finance costs on loans and borrowings.

(d) Foreign currency risk

Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. However, as the principal subsidiaries mainly carried out transactions in RMB, therefore any appreciation or depreciation of HKD against RMB will affect the Group's financial position and be reflected in the exchange reserve.

(e) Fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at December 31, 2010, 2011 and 2012 and April 30, 2013.

(f) Estimation of fair value

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Gross amounts due from customers for contract work

Gross amounts due from customers for contract work are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method.

(ii) Trade and other receivables

Trade receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

(iii) Loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iv) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(v) Interest rate used for determining fair value

The market interest rates adopted for determining the fair value of loans and borrowings are ranging from 5.50% to 6.00%, 6.50% to 7.10%, 6.50% to 7.30% and 6.00% to 7.05% as at December 31, 2010, 2011 and 2012 and April 30, 2013, respectively.

(vi) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

27 Capital commitments

Capital commitments outstanding at respective date of the consolidated statements of financial position not provided for in the Financial Information were as follows:

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Property, plant and equipment				
- Contracted for	5,663	70,649	134,653	99,827
- Authorised but not contracted for	141,989	—	241,727	205,313
Investment in Guangzhou Yinglong				
- Contracted for	—	70,109	—	—

28 Contingent liabilities

As at April 30, 2013, the Group together with the other shareholders of Guangzhou Yinglong (note 15) has issued a guarantee to a bank in respect of a bank loan granted to Guangzhou Yinglong.

The directors do not consider it probable that a claim will be made against the Group under this guarantee arrangement as Guangzhou Yinglong has sufficient working capital to meet its financial obligations as and when they fall due after considering the expected net cashflow from future operating activities. The maximum liability of the Group as at April 30, 2013 under the guarantee arrangement is the amount of the facilities drawn down by Guangzhou Yinglong of HKD 249,620,000 (equivalent to RMB 200,000,000).

The Group has not recognised any deferred income in respect of this guarantee issued as its fair value was considered immaterial.

29 Material related party transactions

During the Relevant Periods, the directors are of the view that related parties of the Group include the following individuals / companies:

Name of related party	Relationship with the Group
Mr. Tsui Cham To	Controlling Shareholder
Mr. Xu Shubiao	Director of Xi Zhou Enterprises and the Company
Mr. Gong Shuyi	Managing Director of Huaihua Tianyuan
Mr. Xu Zitao	Close family member of the Controlling Shareholder
Guangzhou Yinglong	Associate of the Group
Guangzhou To Kee	Effectively owned by the Controlling Shareholder
Guangzhou Tian Tian Cleaning and Washing Company Limited ("Tian Tian") (廣州天天快潔洗滌有限公司) (i)	Effectively owned by the Controlling Shareholder
Longmen Yagang Copper Company Limited ("Longmen Copper") (龍門亞銅銅業有限公司) (i)	Effectively owned by the Controlling Shareholder
Shenzhen Jialinyuan Water Technology Company Limited ("Shenzhen Jialinyuan") (深圳佳霖源水務科技有限公司) (i) & (ii)	Effectively owned by the shareholder of non-controlling interests of Huaihua Tianyuan
ANB Limited	Effectively owned by the Controlling Shareholder
To Kee Holdings Limited ("To Kee Holdings")	Effectively owned by the Controlling Shareholder
Guangzhou Xizhou Dock Company Limited ("Xizhou Dock") (廣州西洲碼頭有限公司) (i)	Effectively owned by the Controlling Shareholder

- (i) The English translation of the names is for reference only. The official names of these companies are in Chinese.
- (ii) The Group acquired the remaining 25% equity shares of Huaihua Tianyuan on January 10, 2012. Shenzhen Jialinyuan was no longer a related party thereafter. The following disclosure of the related party transactions related to Shenzhen Jialinyuan is for the period up to January 9, 2012.

(a) Key management personnel compensation

Key management personnel compensation comprised:

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Salaries and other benefits	759	1,190	1,263	469	472
Retirement scheme of defined contribution	22	37	40	13	15
	<u>781</u>	<u>1,227</u>	<u>1,303</u>	<u>482</u>	<u>487</u>

(b) Recurring transactions

Particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Provision of waste processing service					
- Tian Tian	<u>3,412</u>	<u>5,919</u>	<u>5,187</u>	<u>1,325</u>	<u>1,751</u>

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market price, and in the ordinary course of business. The directors have confirmed that the above transactions will continue in the future after the listing of the Company's shares on the Stock Exchange (the "Listing").

(c) Non-recurring transactions

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Finance income					
- Guangzhou To Kee	<u>8,958</u>	<u>1,954</u>	<u>—</u>	<u>—</u>	<u>—</u>
Renting office from					
- To Kee Holdings	<u>—</u>	<u>131</u>	<u>142</u>	<u>142</u>	<u>—</u>
Acquisition of non-controlling interests from					
- Xu Zitao	4,571	—	—	—	—
- Guangzhou To Kee	16,347	—	—	—	—
- Shenzhen Jialinyuan	<u>1,707</u>	<u>—</u>	<u>10,427</u>	<u>10,427</u>	<u>—</u>
	<u>22,625</u>	<u>—</u>	<u>10,427</u>	<u>10,427</u>	<u>—</u>
Disposal of investment in equity securities to					
- Guangzhou To Kee	<u>5,839</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Current accounts to the Group from					
- Guangzhou To Kee					
- at fixed charge rate	—	157,027	—	—	—
- free of charge	213,514	287,345	233,346	1,726	143,932
- Shenzhen Jialinyuan	19,466	242	—	—	—
- Longmen Copper	2,986	1,610	—	—	1,487
- the Controlling Shareholder	5,572	47,920	40,394	38,700	59,300
- Gong Shuyi	5,742	—	—	—	—
- ANB Limited	—	76	—	—	—
- GuangzhouYinglong	—	—	2,518	—	—
- Xizhou Dock	<u>—</u>	<u>—</u>	<u>6,146</u>	<u>6,146</u>	<u>—</u>
	<u>247,280</u>	<u>494,220</u>	<u>282,404</u>	<u>46,572</u>	<u>204,719</u>

	For the year ended December 31,			For the four months ended April 30,	
	2010	2011	2012	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Current accounts from the Group to					
- Guangzhou To Kee					
- at fixed charge rate	149,292	—	—	—	—
- free of charge	176,965	160,146	295,879	135,361	94,913
- Shenzhen Jialinyuan	21,871	12,865	—	—	—
- Guangzhou Yinglong	—	—	6,146	6,625	52,712
- Longmen Copper	—	—	2,801	393	1,392
- Xizhou Dock	—	—	6,145	2,466	—
- the Controlling Shareholder	172	60,319	82,515	500	—
- To Kee Holdings	—	—	92	—	—
	<u>348,300</u>	<u>233,330</u>	<u>393,578</u>	<u>145,345</u>	<u>149,017</u>
Expenses paid by the Group on behalf of					
- Guangzhou To Kee	1,107	173	—	—	—
- Longmen Copper	1,608	—	—	—	—
- the Controlling Shareholder	—	292	—	—	—
- Guangzhou Yinglong	—	—	4,719	616	—
	<u>2,715</u>	<u>465</u>	<u>4,719</u>	<u>616</u>	<u>—</u>
Expenses paid by related parties on behalf of the Group					
- Guangzhou To Kee	1,225	539	—	—	—
- the Controlling Shareholder	406	—	—	—	—
- Guangzhou Yinglong	—	—	1,659	—	—
	<u>1,631</u>	<u>539</u>	<u>1,659</u>	<u>—</u>	<u>—</u>

The Group has issued a guarantee to a bank in respect of a bank loan obtained by Guangzhou Yinglong (note 15).

The directors of the Company have confirmed that the above transactions will not be continued upon Listing.

The fixed charge rate for current accounts from the Group to Guangzhou To Kee was 6.00%, 5.67%, nil, nil (unaudited) and nil per annum respectively for the years ended December 31, 2010, 2011 and 2012 and the four months ended April 30, 2012 and 2013.

*(d) Balances with related parties**(i) Amounts due from related parties*

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Trade receivables from				
- Tian Tian	<u>1,856</u>	<u>570</u>	<u>2,010</u>	<u>3,797</u>
Other receivables from				
- Guangzhou To Kee				
- at fixed charge rate	152,776	—	—	—
- free of charge	194,563	66,154	141,939	90,748
- Longmen Copper	1,567	—	2,810	2,748
- ANB Limited	76	—	—	—
- Guangzhou Yinglong	<u>—</u>	<u>—</u>	<u>6,710</u>	<u>59,873</u>
	<u>350,838</u>	<u>66,724</u>	<u>153,469</u>	<u>157,166</u>

Except for the amount due from Guangzhou To Kee which is charged at fixed rate, the outstanding balances with the other related parties are unsecured, interest free and have no fixed repayment terms.

(ii) Amounts due to related parties

	As at December 31,			As at April 30,
	2010	2011	2012	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Other payables to				
- Guangzhou To Kee	6,748	—	13,048	9,673
- To Kee Holdings	—	92	—	—
- the Controlling Shareholder	58,107	43,992	1,872	61,171
- Shenzhen Jialinyuan	<u>12,282</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>77,137</u>	<u>44,084</u>	<u>14,920</u>	<u>70,844</u>

The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms.

The directors of the Company have confirmed that, except for the other receivables from Guangzhou Yinglong, all of the non trade amounts due from / to related parties will be fully settled before the Listing.

30 Immediate and ultimate controlling parties

The directors consider the immediate controlling party as at April 30, 2013 to be Keen Vast Holding Limited (建大控股有限公司), while the ultimate controlling party of the Company as at April 30, 2013 to be Mr. Tsui Cham To.

31 Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, the key sources of estimation uncertainty are as follows:

(i) Service concession arrangements

The Group entered into BOT arrangements in wastewater treatment. The Group concluded that the BOT arrangements are service concession arrangements under HK (IFRIC) 12, because the local government controls and regulates the services that the Group must provide with the infrastructure at a pre-determined service charge. In addition, upon expiry of concession right agreement, the infrastructure has to be transferred to the local government at nil consideration.

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews periodically the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(iii) Impairment

In considering the impairment losses that may be required for certain property, plant and equipment, lease prepayments, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the above impairment losses would affect the new profit or loss in future periods.

32 Subsequent events

The Company's shareholders have passed the following written resolution on September 4, 2013:

(a) Capitalisation issue

Conditional upon the Listing, the directors had authorised to capitalise the amount of not exceeding HKD 101,900,000 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par of a total of 1,019,000,000 ordinary shares for allotment and issue to the persons whose names appear on the register of members of the Company on September 4, 2013 in accordance with their respective shareholding (as nearly as possible without involving fractions) or as each of them may direct.

(b) Share option scheme

The Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are set out in Section D of Appendix IV to the Prospectus. No share option was granted as at the date of this report.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this report, the HKICPA has issued a number of amendments, and new standards which are not yet effective for the Relevant Periods and which have not been adopted in these Financial Information. These include the following which may be relevant to the Group.

	<u>Effective for accounting periods beginning on or after</u>
Amendments to HKAS 32, Financial instruments:	
Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
HKFRS 9, Financial instruments	January 1, 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to April 30, 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to April 30, 2013.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the proposed listing might have affected the financial position of our Group by the completion of the Global Offering as if the Global Offering had been completed on April 30, 2013.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of our Group's financial condition following the completion of the Global Offering.

The following unaudited pro forma statement of adjusted net tangible assets of our Group is based on the consolidated net assets of our Group as of April 30, 2013, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as set forth below.

	Consolidated net tangible assets of our Group as at April 30, 2013¹	Estimated net proceeds from the Global Offering²	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share³
	HKD'000	HKD'000	HKD'000	HKD
Based on the offer price of HK\$1.98 per Share	437,231	621,717	1,058,948	0.78
Based on the offer price of HK\$1.48 per Share	437,231	456,817	894,048	0.66

Notes:

- 1 The consolidated net tangible assets of our Group as of April 30, 2013 is compiled based on the consolidated financial information included in the Accountants' Report as set out in Appendix I to this prospectus, which is based on the consolidated net assets of HKD446.0 million less intangible assets of HKD8.8 million.*
- 2 The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.48 or HK\$1.98, being the low or high end of the stated offer price range, per Offer Share after deduction of the underwriting fees and other related expenses payable by our Group and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.*
- 3 The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to above and on the basis that 1,360,000,000 Shares are in issue following the Global Offering but takes no account of any Shares which may be issued upon the exercise of the options under the Over-allotment Option.*

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporating in this prospectus, received from KPMG, Certified Public Accountants, Hong Kong.

B REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CT ENVIRONMENTAL GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of CT Environmental Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at April 30, 2013 and related notes as set out in Part (A) of Appendix II of the prospectus dated September 12, 2013 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part (A) of Appendix II of the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at April 30, 2013 as if the Global Offering had taken place at April 30, 2013. As part of this process, information about the Group's financial position as at April 30, 2013 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at April 30, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

September 12, 2013

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 30, 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on September 4, 2013. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

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A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

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The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;

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- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

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- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

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A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll, save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

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All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share

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and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up,

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provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time

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of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from December 14, 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on November 30, 2010. We have established a place of business in Hong Kong at Room 1202B, 12/F, Empire Centre, 68 Mody Road, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on March 9, 2011. Mr. Sit Hon Wing, who resides at Flat A, 18/F, Tower 3, One Regent Place, 18 Po Yip Street, Yuen Long, New Territories, Hong Kong, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum of Association and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Change in share capital

Our authorized share capital as of the date of our incorporation was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On November 30, 2010, one subscriber Share was transferred to Mr. Tsui.

On March 25, 2011, we allotted and issued 859,999 Shares and 140,000 Shares to Keen Vast and Mr. Tsui, respectively.

On May 31, 2011, Mr. Tsui transferred 60,000 Shares, 60,000 Shares and 20,000 Shares to Green Prosper, Yifeng Investments and Great Nation respectively.

Pursuant to the resolutions in writing of the shareholders of our Company passed on June 14, 2011, the authorized share capital of our Company was increased from HK\$380,000 to HK\$400,000,000 by the creation of an additional 3,996,200,000 Shares.

Immediately following completion of the Global Offering and the Capitalization Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$136,000,000 divided into 1,360,000,000 Shares, all fully paid or credited as fully paid and 2,640,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed “Resolutions in writing of the shareholders of our Company passed on September 4, 2013” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the shareholders of our Company passed on September 4, 2013

Pursuant to the written resolutions passed by the shareholders of our Company on September 4, 2013:

- (a) we conditionally approved and adopted the Memorandum of Association and the Articles of Association;

- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalization Issue and the Shares to be issued as mentioned in this prospectus (including any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Joint Global Coordinators and our Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (i) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved and our Directors were authorized to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-section headed “— Other Information — Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
 - (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorized to capitalize an amount of HK\$101,900,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,019,000,000 Shares, such Shares to be allotted and issued to our shareholders as of the date of the passing of the resolution on a pro rata basis.
- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the shareholders of our Company in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalization Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first;
- (d) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the

Capitalization Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first; and

- (e) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

4. Corporate reorganization

The Companies comprising our Group underwent a Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganization, please refer to the section headed “History and Reorganization” in this prospectus.

5. Changes in share capital of subsidiaries

Certain information on our subsidiaries is contained in the Accountants’ Report in Appendix I to this prospectus. The following sets out the changes to the share capital made by our subsidiaries during the two years preceding the date of this prospectus:

<u>Name of subsidiary</u>	<u>Date of change</u>	<u>Capital before increase</u>	<u>Capital after increase</u>
Guangzhou Haitao	September 11, 2012	RMB50.0 million	RMB80.0 million

Save as set out above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to resolution passed by the shareholders of our Company on September 4, 2013, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.)

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its shareholders for our Directors to have a general authority from the shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium account of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,360,000,000 Shares in issue immediately after the listing of the Shares (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme), could accordingly result in up to 136,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalization Issue but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme, the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 136,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of our Controlling Shareholders will be increased to approximately 71.7% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate, which will not trigger an obligation by the Controlling Shareholders to make a mandatory offer in accordance with Rule 26 of the Code.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. Our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the cooperation agreement dated September 15, 2011 between Guangzhou Xintao, Guangzhou Xintang Environmental Protection Industrial Park Company Limited (廣州市新塘環保工業園有限公司) and Mr. Lu Zhiji (盧志基) pursuant to which the relevant parties agreed to form a project company to be owned by them as to 46%, 49% and 5%, respectively, to bid for the assets and related project contracts of Guangzhou Xintang Dyeing Industry Environmental Wastewater Processing Engineering Station (廣州新塘漂染工業環境治理工程污水處理站);

- (b) the share transfer agreement dated January 10, 2012 between Shenzhen Jialingyuan Water Treatment Technology Limited (深圳佳霖源水務科技有限公司) (“Shenzhen Jialingyuan”) and Guangzhou Xintao, pursuant to which Shenzhen Jialingyuan agreed to transfer 25% of the registered capital in the amount of RMB250,000 in Huaihua Tianyuan to Guangzhou Xintao at a consideration of RMB8.5 million.
- (c) the share transfer agreement dated February 29, 2012 between Ms. Yuan Fengnv (袁鳳女), Mr. Chen Weixin (陳偉新), Mr. Chen Jingzeng (陳景增), Guangzhou Xintao and Mr. Lu Zhiji (盧志基), pursuant to which Ms. Yuan Fengnv, Mr. Chen Weixin and Mr. Chen Jingzeng agreed to transfer RMB204,000, RMB204,000 and RMB52,000 in the registered capital of Guangzhou Yinglong held by them respectively to Guangzhou Xintao at the consideration of RMB204,000, RMB204,000 and RMB52,000, respectively, and Mr. Chen Jingzeng agreed to transfer RMB50,000 of the registered capital held by him in Guangzhou Yinglong to Mr. Lu Zhiji at a consideration of RMB50,000;
- (d) the Deed of Non-competition dated September 4, 2013 given by our Controlling Shareholders in favour of our Company as detailed in the paragraph headed “Relationship with Controlling Shareholders — Non-competition Undertaking” in this prospectus;
- (e) the Deed of Indemnity dated September 4, 2013 given by our Controlling Shareholders in favour of our Company (for itself and as trustee of each of its present subsidiaries) in respect of, amongst others, taxation, property, licenses and lending transactions referred to in the paragraph headed “Other Information — Tax and other indemnities” in this Appendix; and
- (f) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Patents

As of the Latest Practicable Date, our Group owned the following patents which, in the opinion of our Directors, are material to our business:



Patent	Patent No.	Type	Place of Registration	Expiration Date
太陽能中水雙熱源 熱泵污泥幹化 系統	ZL 201010135156.2	Invention	PRC	March 25, 2030
一種全封閉污泥滾 筒制肥設備的除 臭供氧及集熱保 溫系統	ZL 201220023174.6	Utility	PRC	January 17, 2022
一種利用太陽能的 全封閉型污泥連 續好氧堆肥系統	ZL 201120316044.7	Utility	PRC	August 26, 2021
一種全密封式污泥 堆肥連續發酵處 理設備	ZL 201120316046.6	Utility	PRC	August 26, 2021
一種紡織印染廢水 格渣設備	ZL 201120022171.6	Utility	PRC	January 23, 2021
一種太陽能工業廢 熱污泥幹化系統	ZL 201120022289.9	Utility	PRC	January 23, 2021
一種厭氧反應處理 設備	ZL 201120022373.0	Utility	PRC	January 23, 2021

As of the Latest Practicable Date, our Group has applied for registration of the following patent which, in the opinion of our Directors, is material to our business:

Patent	Application Number	Type	Name of Applicant	Place of Application	Date of application
一種全封閉污 泥滾筒制肥 設備的除臭 供氧及集熱 保溫系統	201210015581.7	Invention	Guangzhou Xintao	PRC	January 18, 2012

(b) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademark which, in the opinion of our Directors, is material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiration Date
(A) 	301796491	35, 37, 40, 42	Company	Hong Kong	December 23, 2010	December 22, 2020
(B) 						

(c) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name which, in the opinion of our Directors, is material to our business:

Domain Name	Name of Proprietor	Expiration Date
www.chongto.com	Guangzhou Xintao	December 9, 2020

C. FURTHER INFORMATION ABOUT DIRECTORS, AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interest — interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the

SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows.

(i) *Interest in our Company*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Securities</u>	<u>Approximate percentage of shareholding</u>
Mr. Tsui ⁽¹⁾	Interest of a controlled corporation	877,200,000	64.5%
Mr. Lu Yili ⁽²⁾	Interest of a controlled corporation	20,400,000	1.5%

Notes:

- (1) Mr. Tsui is interested in 98% of the issued share capital of Keen Vast, which is in turn interested in 64.5% of the issued share capital of our Company.
- (2) Mr. Lu Yili owns the entire issued share capital of Great Nation, which is in turn interested in 1.5% of the issued share capital of our Company.

(ii) *Interest in associated corporations*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Number of shares</u>	<u>Percentage Shareholding</u>
Mr. Tsui	Keen Vast	98	98%
Mr. Xu Shu Biao	Keen Vast	1	1%
Mr. Lu Yili	Great Nation	1	100%

(b) *Particulars of service contracts*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) *Directors' remuneration*

Each of the executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of 12 months in a year. The annual director's fees of the executive Directors recognized as directors' remuneration in our consolidated financial statements for the year ended December 31, 2012 (excluding any discretionary bonuses which may be paid to our executive Directors) were as follows:

<u>Name</u>	<u>Directors' Remuneration for the year ended December 31, 2012</u>
	(HK\$)
Mr. Tsui	417,000
Mr. Lu Yili	—
Mr. Xu Shubiao	172,000
Mr. Xu Juwen	—
Mr. Xu Zitao	90,000

The independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of between HK\$100,000 and HK\$252,000 per annum to our independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to our Directors for the year ending December 31, 2013 will be approximately HK\$1,163,000.

Further details of the terms of the above service contracts are set out in the paragraph headed "Particulars of service contracts" in the subsection headed "Directors" in this Appendix.

2. Substantial Shareholders

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and the Capitalization Issue taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company immediately following the completion of the Global Offering and the Capitalization Issue
Mr. Tsui	Interest in controlled corporation	877,200,000	64.5%
Keen Vast ⁽²⁾	Beneficial owner	877,200,000	64.5%
Mr. Li Sze Lim	Interest in controlled corporation and spouse interest	122,400,000 ⁽³⁾	9.0%
Ms. Cheung Yee Man	Interest in controlled corporation and spouse interest	122,400,000 ⁽⁴⁾	9.0%

(1) The letter "L" denotes the person's long position in the Shares.

(2) Keen Vast is 98% owned by Mr. Tsui.

(3) Mr. Li Sze Lim owns the entire issued share capital of Green Prosper and is the spouse of Ms. Cheung Yee Man. Accordingly, Mr. Li is deemed to be interested in all the Shares held by Green Prosper and Ms. Cheung Yee Man by virtue of the SFO.

(4) Ms. Cheung Yee Man owns the entire issued share capital of Yifeng Investments and is the spouse of Mr. Li Sze Lim. Accordingly, Ms. Cheung is deemed to be interested in all the Shares held by Yifeng Investments and Mr. Li Sze Lim by virtue of the SFO.

If the Over-allotment Option is fully exercised, the beneficial interests of each of Mr. Tsui and Keen Vast will be approximately 62.2% and 62.2%, respectively. Mr. Tsui, the largest shareholder of our Company, was raised and has lived in the PRC for a substantial period of time. Mr. Tsui has not been a full-time government official of the PRC, nor has Mr. Tsui been a full-time employee of a state- or government-owned or operated entity for a substantial period of time.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options granted under the Share Option Scheme, have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of

Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on September 4, 2013.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “Eligible Participants”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in a general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company

(including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option; and
 - (gg) the method of acceptance of the option which shall be, unless the Board otherwise determines, the same as set out in paragraph (c).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting by way of a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules. In particular, no options shall be granted during the period commencing one month immediately before the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The minimum period during which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death, ill-health, injury, disability or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation (which date shall be, in relation to an Eligible Participant by reason of employment, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse); or
- (ii) by reason of death, ill-health, injury or disability, his personal representative(s) may exercise the option within a period of 12 months from such cessation.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled

to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has become insolvent, bankrupt or made arrangements or compositions, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options prior to 12:00 noon (Hong Kong time) immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement (if there are more than one meeting for such purpose, the date of the first meeting).

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed or determined. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the Grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiration of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiration of the option as may be determined by the Board;
- (ii) the expiration of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(u) Cancellation of options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the passing of the necessary resolutions by all the shareholders of our Company to approve and adopt the rules of the Share Option Scheme;
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 136,000,000 Shares.

2. Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (e) of the sub-section headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional and all the losses and damages suffered as a result of our failure to have obtained, or if we fail to obtain or maintain any approvals, permits, licenses and certificates required for our operations or if a fine or any other penalties is imposed on us as a result of our lending transactions to any of our affiliates.

3. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

5. Preliminary expenses

The preliminary expenses, payable by our Company, in connection with our preparation of the Global Offering are approximately HK\$488,000.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Underwriters or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
BOCI Asia Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants
GFE Law Office	PRC legal advisers
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Ernst & Young	Industry consultant

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since April 30, 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Royal Bank of Canada Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (g) our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

- (a) copies of the **WHITE, YELLOW and GREEN** application forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — Other Information” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information — Information about Our Business” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin, Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants’ Report from KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the report received from KPMG relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2012 and the four months ended April 30, 2013;
- (e) the PRC legal opinion(s) dated the prospectus date issued by GFE Law Office, our legal advisers on the PRC law;
- (f) our Share Option Scheme;
- (g) the material contracts referred to in the section headed “Statutory and General Information — Information about Our Business — Summary of Material Contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the section headed “Statutory and General Information — Other Information — Consents of Experts” in Appendix IV to this prospectus;
- (i) the service agreements referred to in the section headed “Statutory and General Information — Further Information about Directors and Substantial Shareholders — Directors — (b) Particulars of service contracts” in Appendix IV to this prospectus;
- (j) the letter of advice prepared by Conyers Dill and Pearman (Cayman) Limited summarizing certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;
- (k) the Companies Law; and
- (l) the Ernst & Young Report.



中滔環保

CT Environmental Group Limited
中滔環保集團有限公司