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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. You should pay particular attention to the fact that we are a PRC company, that most of our business is conducted in the PRC and that we are governed by a legal and regulatory environment which in some respects may differ from those in other countries. There are risks associated with investing in our H Shares not typical of investment in the capital stock of companies incorporated and/or engaging business in Hong Kong or the United States. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares could decline owing to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please see “Regulations” and “Appendix IV — Summary of Principal Legal and Regulatory Provisions” to this prospectus. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material adverse effect on us.*

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and the WTE industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering.

### **RISKS RELATING TO OUR BUSINESS AND THE WTE INDUSTRY**

***We require substantial capital for investing in new WTE projects and failure to obtain capital, and on terms acceptable to us, may cause our projects to be delayed and increase our financing costs.***

The nature of BOT arrangements are such that we expect to incur significant expenditures when we invest in new BOT projects, but receive our return on this investment during the BOT concession period. We typically finance our BOT projects through a combination of bank borrowings and internal resources. Typically, we are able to finance up to 70% of the investment cost of our BOT projects through bank borrowings with the remaining 30% being financed through internal resources.

As at the Latest Practicable Date, we have entered into 18 BOT agreements in relation to WTE projects, of which two are in commercial operation, five are in trial operation, one project is currently under construction and construction is expected to commence on three additional projects in 2014. Our remaining projects are currently in development. Based on the terms of the BOT agreements and internal projections, the estimated average project investment payback period for each BOT project from the time of commencement of the respective BOT plant’s operations is approximately 8 to 12 years. As such, we would rely heavily on external sources of funding, including bank borrowings and other sources, to fund the construction and operation of BOT projects, resulting in our business being highly leveraged. Our ability to obtain external funding depends on numerous factors, including but not limited to general economic and capital market conditions, general conditions in the WTE industry, economic conditions in the geographic area of our proposed projects, government policies for the WTE industry, the availability of credit from banks and other lenders and the performance of our operational WTE projects. There is no assurance that such external funding will be available to us on acceptable terms or at all. Failure to obtain sufficient funding for our BOT projects may delay the implementation of our BOT projects, expose us to potential penalties and fines under the relevant BOT agreements and delay the commencement of operations, any of which could adversely affect our business, financial condition and results of operations.

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During the Track Record Period, we entered into various loan agreements for project construction and we expect to continue this practice in the future. As at December 31, 2011, 2012 and 2013, our unsettled loans and borrowings were approximately RMB305.2 million, RMB910.6 million and RMB1,709.4 million, respectively. Generally, the interest rate on our long-term borrowings is linked to the long-term lending rate set by the People's Bank of China ("PBOC") and any increase in the lending rate by the PBOC may increase our financing costs. In addition, recent volatility in the financial markets as a result of the global financial crisis has led to a decrease in liquidity, widening of credit spreads, lack of price transparency in credit markets, decrease of available financing and tightening of credit terms. If such volatility continues in the future, our ability to obtain financing from current or future fund sources may be limited and our financing costs would increase. As we rely heavily on external sources of funding, increased financing costs could have a material adverse impact on our business, financial condition and results of operations.

*Our focus on BOT projects exposes us to financial and operational risks.*

Returns on our initial investment in each BOT project are generated from proceeds from the operation of waste management facilities which we typically operate over a 23 to 30 year concession period. During such period, risks which can neither be accurately predicted nor evaluated at the beginning of the project may later emerge and cause actual results of operations to deviate significantly from our initial projections. Although BOT projects are typically provided to customers on the basis of guaranteed minimum quantities of municipal solid waste and an agreed waste treatment fee, there can be no assurance that the plant will operate profitably during the concession period. In addition, we expect that a significant portion of the turnover to be generated through the operation of BOT projects will result from the sale of by-products such as electricity. There can be no assurance that we will successfully generate and sell electricity and/or other by-products at the estimated quantities and costs and/or prices. The profitability of our plants could be affected by factors beyond our control, including government policies toward WTE plants, increasing operational costs or maintenance costs, new regulations for the operation of waste management facilities requiring replacement and overhauls, and clean-up costs for pollution or natural disasters resulting in damage to or destruction of the facilities. In particular, there is no assurance that the relevant government policies toward the WTE industry will not change in the future or that the preferential benchmark on-grid tariff will not be reduced. In the event of a reduction in the on-grid tariff, we may not be able to sustain our profitability or may even incur a loss, and our financial condition and results of operations may be materially and adversely affected. Therefore, there is no guarantee that the proceeds from the operation of our BOT projects will cover our initial investment and/or generate the expected profits, which could have a material adverse effect on our business, financial condition and results of operations.

*Uncertainties and adverse changes in government initiatives and policies that affect the WTE industry may have an adverse effect on our business and results of operations.*

The growth and performance of our business is affected by the availability of support and financial incentives from the PRC government. Market demand for our WTE facilities is affected by PRC government policies encouraging use of environmentally sustainable methods for waste management and energy production. For example, the Renewable Energy Law of the PRC, effective January 1, 2006 (as amended in 2009) (the "**Renewable Energy Law**") imposes mandatory obligations on power grid companies to purchase all the

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electricity generated from renewable energy projects that are within the coverage area of their grids and which are in accordance with their grid technologies and standards. In March 2012, the NDRC issued the “Notice on Improving the Pricing Policy of Waste Incineration Power Generation” (關於完善垃圾焚燒發電價格政策的通知), which specified that from April 1, 2012, subject to certain conditions and receiving approvals from relevant authorities the benchmark on-grid tariff for all electricity generated by WTE projects approved after January 1, 2006 that use municipal solid waste as a raw material would be RMB0.65 per kWh (inclusive of VAT), subject to the WTE project generating 280kWh of electricity for every ton of waste received and other conditions. Certain of our projects are currently applying for approvals to receive this preferential on-grid tariff. Moreover, according to the “National Plan for Establishing Facilities for Treatment Of Urban Household Waste in a Non-Hazardous Way” (十二五全國城鎮生活垃圾無害化處理設施建設規劃) under the Twelfth Five-Year Plan, waste treatment by incineration is targeted to comprise 35% of the PRC’s aggregate waste treatment capacity by 2015.

However, the WTE industry faces intense competition from conventional waste treatment and power generation technologies. Due to the relatively high costs of waste incineration power generation compared to most conventional methods of processing waste or generating electricity, the WTE industry is generally not competitive on an unsubsidized basis. We are highly dependent on government initiatives, incentives and other favorable policies to support our construction and operation of WTE facilities at a relatively acceptable cost. These initiatives, incentives and policies include preferential tax treatment, government spending, government funds and grants, government incentives for the electricity industry and preferential tariffs for power generated from WTE plants. There can be no assurance that government support for the WTE industry and environmentally sustainable industries will continue at the present level or at all, or that we will be able to fulfill the conditions necessary to benefit from such initiatives, incentives and policies. Any decrease in, or elimination of, government incentives currently available to industry participants may have a material adverse effect on our business and results of operations.

***We experienced cash outflow from operating activities during the Track Record Period.***

For the years ended December 31, 2011, 2012 and 2013, we recorded cash outflow from operating activities of RMB216.9 million, RMB475.1 million and RMB255.6 million, respectively. Such cash outflow from operating activities was primarily because we completed substantial construction works during the Track Record Period and cash outflow for our construction work exceeded cash inflow from project operation.

Our cash outflows from operating activities are related to our BOT business model. We incur substantial expenditure when investing in new BOT projects but can only recover the return on investment during the BOT concession period. The average payback period for each BOT project is estimated to be approximately 8 to 12 years from the time the project commences commercial operation. There can be no assurance that we will not often experience operating cash outflows in the future, which could have a material adverse effect on our liquidity, financial condition and results of operations.

***Negative public perceptions of WTE projects may adversely affect our business.***

Negative public perceptions, stemming from concerns about the environmental impact of WTE projects, have adversely impacted the development of the WTE industry in the PRC since 2009 and a number of WTE

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projects were halted due to public protests. Most recently, in May 2014, local residents protested against a proposed waste treatment plant in Hangzhou City, Zhejiang Province. In response to the protests, the local government announced that there would be no further work on the waste treatment plant until the public had been consulted over the scheme. Public perception of WTE projects and opposition by local residents against the construction of waste treatment facilities located near their residence may delay the awarding of WTE projects by municipal governments. In addition, public protests may significantly delay completion of WTE projects which have been awarded to us or which may be awarded to us in the future. Such delays could have a material adverse impact on our business, financial condition and results of operations.

***Our operations are subject to inherent operational risks and occupational hazards, which could cause us to experience unexpected suspension of our operations and/or incur substantial costs.***

Due to the nature of our business, we engage or may engage in certain inherently hazardous activities, including operations at height, use of heavy machinery and working with flammable and explosive materials. Our project construction and project operation businesses involve many risks and hazards, including the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment, labor disturbances, natural disasters, environmental hazards and industrial accidents. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, and environmental damage and pollution, any of which could result in suspension of our operations or even imposition of civil or criminal penalties, which could in turn cause us to incur substantial costs and damage our reputation. At the same time, the municipal waste delivered to our plants may contain unexpected hazardous and other dangerous waste materials that may require us to temporarily suspend our operations to enable the physical removal of such materials prior to processing such waste. Despite compliance with applicable safety requirements and standards, we are still subject to risks surrounding these activities, and the occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on our business, financial condition and results of operations.

***We rely on a limited number and type of customers for substantially all of our income.***

We primarily rely or will rely, as the case may be, on municipal governments and power grid companies making fee and tariff payments under the respective BOT concession agreements, waste supply agreements and electricity supply agreements for substantially all of our income, both for the treatment of the municipal solid waste supplied by the relevant municipal government as well as for the sale of electricity to the relevant power grid companies. A failure by any such customer to make timely payments of fees and tariffs under the respective BOT concession agreements, electricity supply agreements and waste supply agreements could affect our cash flow. In the event of changes in government policies or regulatory environment of the WTE industry, substantially all of our customers would be impacted, which would have a material adverse effect on our business, financial condition and results of operation. In addition, our remedies for contractual breaches by our customers may be limited because our customers are public entities, making it difficult and time consuming to enforce any claims against them through legal proceedings. Any failure by our customers to make payments under the respective agreements could thus have a material adverse effect on our business, financial condition and results of operations.

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*Certain of our concessions were not granted through a tender process consistent with applicable PRC rules.*

We rely on our customers to comply with applicable laws and regulations. In particular, the procedures for securing concession contracts for BOT projects are governed by the applicable PRC rules. The Measures for the Administration on the Concession of Municipal Public Utilities (Order of the Ministry of Construction No. 126) promulgated by the former Ministry of Construction of the People's Republic of China on March 19, 2004 and implemented on May 1, 2004 (the "Concession Measures") require municipal public utility authorities that implement a concession system for waste treatment facilities to select the concessionaire through a tender process. For 13 out of our 18 BOT projects in the PRC (excluding the two projects for which we have entered into non-legally binding framework agreements) including four projects in commercial operation or trial operation (Haining, Pingyang, Yongjia and Wuhan) and nine projects under development (Anshun, Jurong, Jixian, Pingyao, Qingdao, Sheyang, Jintan, Ninghe and Hongan), the relevant municipal public utility authorities did not grant our concession through a tender process consistent with the requirements of the Concession Measures. As the Concession Measures did not specify any penalties for foregoing non-compliance of our customers, the legal implications and the potential liability for foregoing non-compliance with the Concession Measures for our customers are uncertain. Furthermore, as the Concession Measures are departmental rules under which the implementation of a concession system to select the concessionaire for waste treatment facilities through a tender process is a requirement for municipal governments and municipal governments dictate the tendering or negotiation procedures, the legal implications and potential impact and risks to us are unclear when the relevant municipal government fails to grant our concession through a tender process according to the Concession Measures, and we cannot rectify or seek clarifications for this non-compliance with the Concession Measures. We cannot assure you that new measures or interpretation of the Concession Measures will not pose substantial risks to, or have a material adverse effect on, our business in the future. In the event that our relevant concession agreements are affected for such reasons, our business, financial condition and results of operations could be materially and adversely affected.

*The construction of WTE plants is subject to risks which could give rise to delays or cost overruns.*

Our business activities include the construction of WTE plants in their entirety under a BOT model, wherein we manage the entire construction process for the BOT project. The construction of a WTE plant, including its ancillary facilities, may be adversely affected by many factors which are commonly associated with the construction of infrastructure projects and which may be beyond our control, including but not limited to:

- public opposition, including but not limited to objections to the choice of project site;
- delays in receiving requisite approvals, licenses or permits;
- shortages of equipment, materials or labor;
- work stoppages and labor disputes;

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- weather conditions;
- natural disasters;
- accidents;
- unforeseen engineering, design, environmental or geological problems;
- effects of ancillary infrastructure facilities;
- unanticipated cost increases; and
- changes in government policy.

Any such factors could give rise to delays or cost overruns and any insurance coverage or liquidated damages claims that we have may not be adequate to compensate us for these costs. In particular, fluctuations in prices of construction materials, equipment and components used in project construction may impact our financial performance. To the extent that increases in the prices of construction materials, equipment and components cannot be passed on to our customers or are not borne by the third-party contractors we engage to provide construction services for our WTE facilities, such increases could have a material adverse impact on our financial condition and results of operations.

In addition, the construction of our BOT projects is generally undertaken by third-party contractors and there can be no assurance that such contractors will be able to complete construction in a timely or cost-effective manner. Construction delays at any of our projects could result in loss or delayed receipt of revenues, increase in financing costs or failure to meet profit and earnings projections. Furthermore, the failure to complete project construction according to specifications can result in financial penalties, reduced plant efficiency, higher operating costs and reduced or delayed earnings, which could have a material adverse effect on our business, financial condition and results of operations.

### *Certain of our BOT projects have experienced delays*

Certain of our BOT projects have experienced delays. For example, our Qingdao project has been delayed due to a request by our customer to select a different site for the project shortly after we commenced construction in early 2011. In addition, our Sheyang and Jintan projects have been delayed due to insufficient supplies of municipal solid waste in the relevant collection coverage areas. See “Business — Our projects — Project facilities — Projects under development — Qingdao project”, “Business — Our projects — Project facilities — Projects under development — Sheyang project” and “Business — Our projects — Project facilities — Projects under development — Jintan project” for further details. There can be no assurance that our projects under development or any new projects we secure would not experience similar delays. Such delays may affect the net

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present value or estimated rate of return on the delayed projects. If we are unable to re-negotiate the BOT concession agreements, where necessary, to ensure positive returns, such delays would have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to continually secure new projects***

Our business is project-based and we typically operate projects over a concession period of 23 to 30 years. Upon the expiration of such concession period, our BOT projects will be transferred to our customers under the respective concession agreements. See “Business — Business operations — BOT business model”. As a result, we must continually and consistently secure new projects to ensure our financial performance and scale of operation. In the event that we are unable to secure new projects on a continual basis, our business, financial condition and results of operations may be adversely affected.

***We could be liable for environmental damages resulting from our WTE facilities.***

We could be liable if our WTE facilities cause environmental damage to nearby properties or residents. Any substantial liability for environmental damage could have a material adverse effect on our operating results and financial condition.

In addition, in the ordinary course of our business, we may become involved in a variety of legal and administrative proceedings relating to environmental laws and regulations. These may include proceedings in which:

- agencies of local, provincial or state governments seek to impose liability on us under applicable statutes, sometimes involving civil or criminal penalties for violations, or to revoke or deny renewal of a permit which we need; and
- citizen groups, nearby residents or governmental agencies oppose the issuance or renewal of a permit or approval we need, allege violations of the permits under which we operate or laws or regulations to which we are subject, or seek to impose liability on us for environmental damage for which we may be responsible.

Any adverse outcome in one or more of these proceedings could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to a wide variety of laws and regulations, and any failure to comply with these regulations or to control the associated costs could harm our business.***

The nature of the WTE business requires us to comply with applicable government policies, laws and regulations. Such regulations cover a wide variety of matters, including prevention of waste and pollution, protection of the environment, labor regulations, social security insurance and worker safety. If our business



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operations fail to comply with such regulations, we may incur additional expenses to mitigate or rectify such non-compliance. In addition, such laws and regulations may be subject to change and may become more stringent in the future, and we may be required to limit our business activities or bear additional costs to comply with such changes.

If we are unable to comply with the applicable laws and regulations or the changes thereof, we could incur liabilities and fines, which could be substantial. This may in turn have an adverse effect on our financial condition and operating results. During and prior to the Track Record Period, there have been instances in which we failed to comply, or fully comply, with applicable laws and regulations. Please see “Business — Compliance with Relevant Laws and Requirements — Historical non-compliance incidents”. In addition, as we rely to a certain extent upon our reputation and our track record, our reputation could be harmed by the occurrence of such failure or claim that there has been a failure to comply with applicable laws and regulations. In particular, breaches of environmental or safety laws and regulations by us could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to obtain and/or maintain necessary approvals, licenses and qualifications from PRC authorities to carry out our business or to comply with future regulatory requirements.***

We are required to acquire various approvals, licenses and qualifications to operate our business pursuant to PRC laws and regulations. For instance, our projects under construction generally require a construction land planning permit, a construction work planning permit and a construction work commencement permit. In addition, our projects in commercial operation or in trial operation generally should have a municipal solid waste operational treatment services permit, an electric power business permit, a permit for operation of environmental pollution treatment facilities, a pollutants discharge permit and a water drawing permit. We are currently still in the process of applying for some qualifications for certain of our projects. Any penalties, allegations or proceeding arising from these circumstances may have an adverse effect on our business, financial position and results of operations. Please see “Business — Compliance with Relevant Laws and Requirements — Historical non-compliance incidents”.

In addition, our Company has signed project management contracts with some of our subsidiaries and a third party customer to provide construction project management services. We did not have certain qualifications required for performing construction project management services at the time we entered into such project management contracts and performed some services pursuant thereto. Although we have acquired the necessary qualifications to perform construction project management services, there can be no assurance that the relevant governmental authorities will not in the future impose penalties on us, financial or otherwise, as a result of the previous lack of qualification. Please see “Business — Compliance with Relevant Laws and Requirements — Historical non-compliance incidents”. In the event penalties are imposed on us or any claim or order is sought as a result of the foregoing, our business, financial condition and results of operations could be materially and adversely affected.

In addition, further approvals, licenses and qualifications from PRC authorities may be required in the future, and some of our current permits and business licenses are subject to periodic renewal by the relevant PRC



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authorities. In addition, the standards of regulatory compliance required may change in the future. We are subject to supervision by several government authorities, each of which may be able to revoke or refuse to grant and/or to extend permits, licenses, approvals and qualifications that are required for the conduct of our business. Future changes in environmental standards, for example, may result in more elaborate requirements and stricter enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments and heightened responsibility for companies as well as their directors and employees. If any of our business activities fails to meet the requirements of current rules or regulations, or if we fail to obtain the grant or renewal of the required permits, licenses, approvals and qualifications, such failure could have a material adverse effect on our business, financial condition and results of operations.

*We rely on service providers and other third parties to provide support for our projects, which may subject us to associated risks.*

We engage service providers and other third parties to construct our WTE plants and provide auxiliary services such as waste water treatment for our WTE plants. However, as there are limited numbers of qualified third party service providers available, they may not always be readily available when we require support. If we are unable to hire qualified third party service providers or additional temporary labor, our ability to complete our current construction projects on time or undertake additional projects could be impaired. Additionally, if the cost for third party service providers rises, our profitability may be affected, particularly to the extent that such increases cause our costs to exceed what we estimated when entering into our BOT contracts. In addition, we may not be able to monitor the performance of third party service providers as directly and efficiently as we monitor our own employees. We may not be able to find a replacement at acceptable cost, or at all, in the case of any failure on the part of a third party service provider to perform its contractual obligations in a satisfactory manner, which may result in delay and increased costs, affecting the profitability of the relevant project or projects. Furthermore, where an individual third party service provider is unable to provide the relevant auxiliary services to our WTE plants, we may be required to find a replacement or provide the necessary services ourselves, which may significantly increase our operating costs. Where the services they provide fail to meet our standards, the overall quality of the project may be affected. This could harm our reputation and potentially expose us to litigation and claims for damages, in which case our business, financial condition and results of operations could be materially and adversely affected.

In addition, we may also be subject to claims arising from defective work performed by third party service providers. While we may attempt to seek indemnity from the relevant third party service providers, the third party service providers may not be able to perform their obligations in a timely manner or at all. Moreover, warranty periods provided by third party service providers may be shorter than the warranty period we provide to our customers, and warranty claims against third party service providers may be subject to certain conditions precedent that are not easily satisfied. If no claim can be asserted against third party service providers who provided the services, or we cannot recover the amounts that we claim, we may be required to bear customer claims to the extent that such amounts are not covered by insurance coverage (if any), in which case our business, financial condition and results of operations could be materially and adversely affected. Although we carefully select our third party service providers based on factors such as qualifications, financial strength, product and service quality and past cooperation, we cannot guarantee that the aforementioned risks can be avoided.

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*We may be adversely affected if there is any significant downtime at any of our WTE plants.*

Normal wear and tear of the WTE plants is a natural consequence of operations in our industry and results from exposure to the elements and deterioration of equipment. We anticipate a certain amount of downtime at our WTE plants for repairs and maintenance. Typically, each waste incineration plant needs a scheduled overhaul every four to six years and each overhaul generally requires 15 to 20 days of downtime. If the time required for repairs and maintenance exceeds the time anticipated, our turnover may be adversely impacted. In addition, if any extraordinary or extensive repairs to the plants or equipment are required, due to any catastrophic event or otherwise, the plants could be subject to a significant downtime during which such plant would not be available to process municipal solid waste. Any significant downtime of the plants may also lead to termination of the relevant BOT agreements or electricity supply agreements or compensation liabilities arising under these agreements. Extensive downtime at any of our WTE plants could have a material adverse effect on our business, financial condition and results of operations.

*Our success depends on the steady supply of municipal solid waste required for the generation of electricity which is subject to various uncertainties and risks.*

We rely on a steady supply of municipal solid waste for the generation of electricity. Municipal solid waste is mainly transported by the relevant municipal government to our plants by ground transport. The transportation of municipal solid waste to our plants may be subject to various uncertainties, including road conditions, transport infrastructure, weather, public demonstrations, unrest or strikes. Furthermore, some of our waste supply agreements do not guarantee a minimum supply of municipal solid waste to our WTE plants. A failure to maintain a continuous supply of municipal solid waste or a disruption in our supply of electricity to the relevant power grid company could result in an adverse effect on our business, financial condition and results of operations.

In addition, each of our BOT projects has been, or will be, built to a specified design capacity in accordance with the terms of the relevant concession agreement. Depending on the growth in the population and level of industrialization in the areas serviced by our facilities, there can be no assurance that the facilities we operate will be able to achieve the forecasted utilization rates of their designed 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 expected from the relevant projects and our business, financial condition and results of operations may be adversely affected.

*The turnover of each WTE plant depends on the amount of waste supplied to it and the calorific value of such waste.*

The turnover of each of our WTE plants is dependent on the amount of municipal solid waste that it processes and electricity it generates. The amount of electricity which the plant can generate depends on the quantity and calorific value of the municipal solid waste it processes. Municipal solid waste with higher calorific values will produce more electricity when incinerated. In the event there is a decrease in the quantity and/or the calorific values of the municipal solid waste we process, the amount of electricity generated may decrease,

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thereby reducing the turnover and efficiency of our WTE plant, which could have a material adverse effect on our financial condition and results of operations.

*We rely on power grid companies for grid connection and electricity transmission and distribution services and may experience limitations on the dispatch of our electricity due to grid congestion or other grid constraints.*

Our WTE projects need to connect to local power grids and rely on power grid companies to provide dispatch services and purchase the electricity generated from the projects. Even though electricity produced by our WTE facilities (other than the amounts used for powering our own operations) is guaranteed to be purchased in full by power grid companies according to supportive governmental policies, we still rely on local grid companies to construct and maintain the infrastructure and provide the electricity transmission and dispatch services necessary to connect our projects to the local grids. In addition, the transmission and dispatch of the output of a facility may be curtailed as a result of various grid constraints, such as grid congestion, restrictions on transmission capacity of the grid and restrictions on electricity dispatch during certain periods. In the PRC, these grid constraints may be caused by increasing demand for electricity due to rapid economic growth. There may be periods when the grids do not have sufficient capacity to transmit and dispatch the full output of the facilities to which they are connected. In the event of a grid constraint, the relevant grid may require a power plant to reduce net generation, which in turn may reduce the expected turnover from that particular plant. Power plants may not receive compensation for reductions in generation due to grid constraints.

Although our WTE projects have benefited, and are expected to continue to benefit, from mandatory purchase obligations and we did not experience any grid congestion or grid constraints during the Track Record Period, our projects may be impacted in the future by limitations on the dispatch of electricity due to grid congestion or other grid constraints, which may cause some of our projects to experience temporary limitations on electricity output. If there is a decline in electricity output due to grid constraints or failure to perform the power purchase agreement, then the electricity sales of our WTE plants, our business prospects and our results of operations may be adversely affected.

Furthermore, electricity transmission lines may experience unplanned outages due to system failures, accidents and severe weather conditions, or planned outages due to repair and maintenance, construction work and other reasons beyond our control. We may not be able to secure or maintain all necessary connections to local grids, and failure or delays to secure grid connection will reduce power generation and limit our operational efficiencies, which in turn could have a material adverse effect on our business, financial condition and results of operations.

*Inaccurate estimations for our BOT projects may materially affect our results of operations and our financial condition.*

We record income from our BOT contracts based on the percentage of construction work completed. During the Track Record Period, we engaged an independent valuer to determine the fair value of our

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construction services for BOT projects, thereby forming the basis for estimating the total revenue for the construction phase. During the Track Record Period, when determining the percentage of completion during respective reporting periods, we divided the actual construction costs incurred during the period by the total estimated construction cost of the entire project. In the future, we will need to estimate the construction cost based on our assessment of market conditions, costs of raw material and equipment, and other operating costs, among other factors. The timing of our recognition of turnover may differ materially from the timing of our actual receipt of payments. The timing of revenue recognition and the amount of revenue recognized is affected by our ability to calculate a reliable percentage of completion as well as to estimate the total cost. If measurement for any project or the overall estimation method is inaccurate or there is an omission, the timing of recognition of turnover and the amount of turnover recognized may be materially and adversely effected. If there is a difference between our calculation of the related recognition of revenue and our previous estimation, such difference will be accounted for in the profit and loss account in the period when such estimate has been changed. In addition, as the construction phase of our BOT projects typically lasts longer than one year, the delay in construction work on these contracts may adversely affect our results of operations.

In addition, the fair value of construction services of a BOT project is assessed by an independent valuer. The independent valuer assesses the fair value of construction services of a BOT project by considering the budgeted construction cost and the estimated return on cost for the project. We estimate returns for each project based on a number of factors, including the margins of comparable engineering and construction companies in the power sector. Actual outcomes in terms of total cost may be higher or lower than estimated at the end of the reporting period. If actual costs for a project exceed our estimates, this will result in a corresponding decrease in gross profit for the project. Conversely, actual costs lower than our initial estimates would lead to a corresponding increase in gross profit for the project. Inaccuracies in estimated construction cost for a BOT project could materially affect our results of operations.

Correspondingly, the fair value of consideration for project construction is recognized and allocated between intangible assets and gross amounts due from customers for contract work on our balance sheet when the construction services commence. Gross amounts due from customers for contract work relates to the guaranteed waste treatment fee from the relevant government authority as stipulated in the relevant BOT concession agreements. The portion allocated as intangible assets is calculated based on the fair value of the BOT construction services less gross amounts due from customers for contract work. In the event that our actual return on cost for a project is different from the initial estimate and actual cash inflows are lower than the initial estimated amount, the corresponding intangible asset may be impaired and we may recognize an impairment loss, which could have a material adverse effect on our results of operation and financial condition. Please see “Financial Information — Critical Accounting Policies and Estimates and Judgments — Other impairment loss”.

***Competition could intensify following the entry of domestic or international competitors into the market.***

Due to the increasing demand for environmentally-friendly waste treatment in the PRC, new competitors could emerge in the market. We have established a strong market position in the field of municipal solid waste incineration. However, private and state-supported domestic PRC companies may enter the market, and we may be unable to compete with them when bidding for new projects or may be forced to adjust our bids to remain

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competitive in the bidding process. In addition, international competitors from countries such as the United States or European countries may enter the market and may be able to offer more advanced technologies.

There can be no assurance that we will continue to be successful in maintaining our position against current and future competitors. Any impairment in our ability to compete effectively could have a material adverse effect on our business, financial condition and results of operations.

***Investments in research and development may not necessarily lead to timely improvements in technology and we may be unable to keep pace with technological changes in the industry.***

A decisive factor for our success in winning new projects is the timely identification of important new technological developments to ensure that our WTE plants can keep pace with technological developments. Solid waste management in the PRC is at an early stage of development compared to countries such as the U.S., Japan or member states of the European Economic Area (“EEA”). However, the market could experience rapid technological change with the introduction of new and improved technologies and services associated with solid waste management. These might result in demand for techniques and technologies which are new in the PRC, but which are already common in other countries. As a result, we may face new and constantly changing customer requirements and there can be no assurance that we will be able to keep pace with such rapid technological developments.

Our research and development expenses for the years ended December 31, 2011, 2012 and 2013 were RMB4.6 million, RMB5.1 million and RMB7.6 million, respectively. Each successive improvement in waste treatment techniques generally involves an increase in complexity that may enhance the required level of investment and demand more development effort. In addition, we may devote research and development resources to technologies or products that turn out to be unsuccessful. There can be no assurance that our investments will lead to competitive products or technologies or that we will have sufficient resources to maintain the level of investment in research and development that is required to remain competitive in the future. Any such failures could have a material adverse effect on our business, financial condition and results of operations.

In addition, our competitors may introduce new incinerators or other technologies allowing for more effective or cost efficient waste treatment methods, or may secure exclusive rights to more advanced technologies. In such an event our waste treatment technology might become obsolete, or customers might demand more efficient incineration techniques. Our inability to keep pace with technological developments in the WTE industry could have a material adverse effect on our business, financial condition and results of operations.

***We rely on the services of certain key personnel and qualified engineers, technicians and sales personnel.***

The success of our business depends upon our management team and specialized personnel in certain key positions. Many of them possess extensive experience and would be difficult to replace. Competition for specialized personnel is intense in the PRC WTE industry. As we expand our business, we may not be able to

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attract new employees such as qualified engineers, technicians and sales people experienced in the WTE industry. In addition, in the event that a member of the senior management team resigns and joins a competitor or forms a competing company, he or she may compete with us for new customers and business partners on new projects, and for our other key professionals and staff members. Although each member of our senior management team has signed a confidentiality and non-competition agreement in connection with his or her employment and such provisions are integrated into the terms of employment, there can be no assurance that we will be successful in enforcing these provisions in the event of a dispute between us and any key employee. If we lose managerial or technically specialized personnel holding key positions, or fail to attract suitable personnel in the future, this could have a material adverse effect on our business, financial condition and results of operations.

***We benefit from certain preferential tax treatments, the reduction or elimination of which may adversely affect our financial condition and results of operations.***

Under the PRC Enterprise Income Tax (“EIT”) Law and its regulations, a uniform enterprise income tax rate of 25% is applied to both domestic enterprises and foreign-invested enterprises. However, we were recognized as a High and New Technology Enterprise (“HNTE”) in December 2008, which enabled us to enjoy a preferential income tax rate of 15% from January 2008 to December 2010. We renewed our HNTE qualification in October 2011, which entitled us to continue benefiting from the 15% preferential income tax rate from January 2011 to December 2013. We will renew such qualification in 2014 and such application must be reviewed and approved by the relevant tax authority. If we are unable to renew our accreditation as a HNTE, we will no longer be entitled to enjoy the preferential income tax rate of 15%, which may have a material adverse effect on our financial performance.

In addition, certain of our project companies also benefit from preferential tax treatments. For example, our project companies in Changzhou and Haining were both exempted from PRC enterprise income tax during the first three years of operation and were entitled to pay PRC enterprise income tax at 50% of the applicable tax rate during the fourth to sixth year, commencing in 2008 and 2009, respectively. Upon the expiration of the current preferential tax treatment periods, there can be no assurance that our project companies will continue to be entitled to the same or other tax incentives. See “Financial Information — Material Factors Affecting Results of Operation — Taxation” for further details. The reduction or elimination of such preferential tax treatments could have a material adverse effect on our financial condition and results of operations.

***Any failure to adequately protect our intellectual property rights or any infringement claims brought by third parties against us may have an adverse effect on our business, financial condition and results of operations.***

We rely primarily on patents and proprietary technologies to protect our technologies which enhance our operational efficiency and enable us to maintain our competitiveness. As of the Latest Practicable Date, we held thirteen patents and had nine patent applications pending in the PRC. However, the legal regime governing intellectual property in the PRC is still evolving and the level of protection for intellectual property rights in the PRC may differ from those in other jurisdictions. We may not be able to promptly detect infringement and take

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effective steps to enforce our intellectual property rights, which may be costly. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, we could suffer losses due to the provision or the sale of competing services or products by others which exploit our intellectual property rights, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that our intellectual property rights will not be challenged, misappropriated or circumvented by third parties. Moreover, we may not be successful in obtaining patent authorizations or registrations for protecting our patents. We may also be subject to claims on infringement of patents, trademarks or other intellectual property rights of others. Defending or otherwise dealing with any infringement claims, whether with or without merit, could be time-consuming, costly, detrimental to our brand and reputation, and require us to enter into licensing agreements that may not be favorable or acceptable to us, any of which could have a material adverse effect on our business, financial condition and results of operations.

***Our overseas investments and business activities may be subject to unforeseen risks.***

We plan to expand our business activities overseas. For example, we have signed non-legally binding framework agreements to construct WTE plants in Thailand and Malaysia. We do not have prior experience operating in these jurisdictions and such international operations are subject to special risks that may materially affect our results of operations. These risks include, but are not limited to, the following:

- unsettled political conditions, war, civil unrest and hostilities in foreign countries;
- underdeveloped legal systems;
- economic instability in foreign markets;
- the impact of inflation;
- fluctuations and changes in currency exchange rates; and
- governmental actions such as expropriation of assets, general legislative and regulatory environment, exchange controls, changes in global trade policies such as trade restrictions and embargoes.

We cannot predict the effect that current conditions affecting various foreign economies or future changes in economic or political conditions abroad could have on our business activities. Any of the foregoing factors could have a material adverse effect on our expansion plans overseas and impact our business, financial condition and results of operations.

***Our plans to expand into new businesses may not be successful or may entail significant costs.***

As part of our growth strategy, we intend to expand our business into the treatment of other types of solid waste and undertake other bio-energy operations. We have historically focused on developing and operating



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WTE plants treating municipal solid waste. Diversifying into other types of solid waste treatment or other bio-energy operations may place significant demands on our management and resources and we may not have sufficient experience or expertise to expand successfully into such businesses. In addition, the success of such new businesses depends largely on the research and development of new technologies and we may not be able to develop the relevant technology in a safe, timely and cost-effective manner. If we are unable to successfully expand into new businesses as planned, our business, financial condition and results of operations may be materially and adversely affected.

***Our insurance coverage may not be sufficient to cover all potential risks or losses.***

We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and the customary practice in the industry. Pursuant to relevant PRC laws and regulations, we have also purchased pension, medical, unemployment, work injury and maternity insurance for our employees. However, although we believe our insurance coverage meets the needs of our business, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, our insurers review our policies each year. We cannot guarantee that we can renew our policies on similar or acceptable terms in the future, or at all. If we suffer from severe unexpected losses or losses that far exceed the policy limits, our business, financial condition and operating results could be materially and adversely affected.

Certain of our subsidiaries do not purchase any third-party liability insurance to cover claims with respect to personal injury or property or environmental damage claims arising from accidents on their properties or relating to errors and omissions in the operation of our business and have not maintained any insurance policies against losses arising from environmental regulatory requirements, business interruption, industrial accidents and demonstrations and protests by, or other activities of, our employees or third parties. However, risks relating to our operations arising from any one of the aforementioned uninsured occurrences or otherwise could expose us to material losses. In addition, the occurrence of any of these risks may harm our reputation, which could inhibit our ability to successfully bid on future projects or gain other contracts or otherwise grow our business. See “Business — Insurance.”

***If we default on the obligations contained in the agreements for any of our BOT projects, the relevant concession agreement may be terminated.***

The majority of the concession agreements for our BOT projects are executed with the applicable municipal governments, or the entities or government authorities authorized by the relevant governments. Under the relevant concession and service agreements or, where we are not a party to the relevant agreements, based on the written confirmations of the municipal government customers or authorized entities, we are entitled to operate and manage the WTE facilities for our customers and in return receive payments based on an agreed fee and volume of municipal solid waste incinerated. These agreements may have terms of up to 30 years. During the concession periods, our operation and management of the facilities may be subject to various technological, management and regulatory changes, some of which we may never have encountered before. If we fail to meet the governments’ or customers’ standards, respond effectively to various technological, management or regulatory changes during the concession period, or adequately staff our projects, or if we mismanage these

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facilities or otherwise default under the relevant agreements, our municipal government customers or their authorized entities may terminate the relevant agreements with us prior to their expiration dates. In addition, our reputation may be negatively affected, which could adversely affect our ability to obtain new projects.

The concession agreements for our BOT projects further impose various obligations on us, which include funding the construction of the relevant facility, arranging sufficient financing, submitting appropriate development plans for the project, complying with applicable regulatory requirements, meeting construction deadlines and fulfilling production targets. If we default or allow our relevant project company for any of the investment projects to default on our or their obligations under any of these concessions agreements, the relevant governments or authorized entities may terminate the concession agreement. In these situations, there is no assurance that we will be able to maintain our interest in the relevant project or that the project would generate the turnover that we had originally expected. We may also risk losing all or part of our investment in a BOT project in the event of the termination of the relevant concession agreement. Our business, financial condition and results of operations may be materially and adversely affected as a result of any such termination.

***We are a holding company and a portion of our turnover depends on distributions from our project companies.***

A portion of our turnover depends on the turnover and cash flows of, and distributions from, our project companies to satisfy our financial obligations and pay dividends to our shareholders. We currently conduct, and expect to continue conducting, our operations through wholly-owned project companies. The availability of distributions from our project companies is subject to the satisfaction of various covenants and conditions contained in the relevant project company's financing documents and certain regulatory restrictions. In particular, as our project companies incur debt on their own behalf, the loan agreements governing such debt may restrict their ability to make payments to us. Although the current loan agreements entered into by our project companies do not contain provisions restricting their payment of distributions to us, our future project-level financing may contain conditions and restrictions on such distributions. Any inability to receive distributions from our project companies may have a material adverse effect on our business, financial condition and results of operations.

***Any natural disasters and other events outside our control that affect our WTE plants and management systems would adversely affect our business and operations.***

The occurrence of earthquakes, floods, droughts, typhoons, labor disturbances, civil unrest and similar events in areas where our WTE plants are located could interrupt our services and cause severe damage to the plants and computerized management systems. In addition, the amount and quality of municipal solid waste supply will generally decrease under such circumstances. Should any such disastrous events beyond our control occur at or affect our plants, there could be a material adverse effect on our business, financial condition and results of operations.

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*Our projects may be affected by the spread or an outbreak of any contagious or virulent disease or other events.*

Our projects may be affected by the spread or outbreak of any contagious or virulent diseases, such as SARS (severe acute respiratory syndrome), H1N1 (swine) flu, or avian flu (including the H5N1 and H7N9 strains), or other similar events, which could have a material adverse effect on our operations as well as the operations of our supporting industries. Our facilities and supporting industries may have to temporarily shut down if affected by such diseases. Any disruption to business operations or increase in costs as a consequence of these diseases could have a material adverse impact on our operations, business and financial performance.

*We may be involved in legal and other proceedings arising from our operations.*

We may be involved in disputes with various parties involved in the construction and operation of our WTE plants. These parties include contractors, suppliers, construction companies and other partners. These disputes may lead to legal and other proceedings. In the event that unfavorable decrees are determined by the courts, we may suffer financial losses. Such proceedings may also result in delay in the construction or completion of our WTE plants. For further details relating to the legal or other proceedings in which we are currently involved, please see “Business — Legal Proceedings”.

### RISKS RELATING TO THE PRC

*Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could materially and adversely affect our business.*

Substantially all of our assets and turnover are located within or derived from operations within the PRC. As a result, our financial condition and results of operations are to a large extent influenced by the economic, political and social conditions and development and the government policies of the PRC. Although the PRC’s economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces to drive economic development. These economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country.

As a result, some of these measures may benefit the overall PRC economy but have a negative effect on the industries in which we operate and subsequently our business. The PRC has been one of the world’s fastest growing economies as measured by GDP in recent years. However, there can be no assurance that the PRC economy will be able to sustain such a growth rate, and the PRC GDP growth has experienced a slowdown in recent years. In 2008, the PRC economy experienced a slowdown in growth primarily as a result of the global financial crisis and economic downturn. To stimulate the growth of the PRC economy, the PRC government

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implemented various economic and monetary measures to expand investment in infrastructure, increase liquidity in the credit markets and create more employment opportunities. However, there is no assurance that another financial crisis and economic downturn will not occur. Substantially all of our turnover during the Track Record Period was attributable to sales made within the PRC. As such, our future success is substantially dependent on economic, political and social conditions in the PRC. Any adverse changes in the PRC's political and social conditions or any slowdown or recession of the PRC's economy could have a material and adverse effect on our business, financial condition, results of operations and prospects.

***Payment of dividends is subject to restrictions under PRC law.***

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our shareholders in the future, including periods for which our financial statements indicate that our operations have been unprofitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Under the current PRC tax laws, regulations and applicable tax treaties, the payment of dividends to a non-PRC resident shareholder is subject to withholding tax.

***The PRC legal system is still evolving and there are inherent uncertainties as to interpretation and implementation of laws, which could limit the legal protection available to us and to our Shareholders.***

Our Company and our major operating subsidiaries are incorporated in the PRC, and substantially all of our business is operated in the PRC. These entities and operations must therefore comply with the laws of the PRC. The PRC legal system is based on written statutes and various administrative regulations and policy decrees. Prior court decisions or rulings may be cited for reference in court and administrative proceedings but have limited precedential value. Since the 1970s, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in its laws and regulations governing economic matters such as shareholders rights, foreign investment, company organization and management, business, tax and trade. However, PRC laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and implementation. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, or we may receive interpretations that are inconsistent with our interpretations. These uncertainties may impede our ability to enforce the contracts we have entered into with our customers, suppliers and other business partners. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government decisions.

These uncertainties may limit legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on our business, prospects, financial condition and results of operations.

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*It may be difficult to effect service of process upon, or to enforce any judgments obtained outside the PRC against, us, our Directors, or our senior management members who live inside the PRC.*

Substantially all of our existing Directors and senior management members reside in the PRC and substantially all of our assets are located in the PRC. Accordingly, it may be difficult for investors to effect service of process from outside PRC upon us or those persons in the PRC. In addition, the enforcement of foreign judgments in the PRC involves uncertainty. If there exists a treaty between an overseas jurisdiction and the PRC or a similar judgment made by a PRC court has been recognized before such foreign judgment, the judgment made in the jurisdiction might be recognized and enforced in the PRC. However, recognition and enforcement in the PRC of judgments of certain overseas courts in relation to any matter not subject to a binding jurisdiction provision may be difficult or impossible.

*The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our H Shares.*

Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange laws and regulations which would affect exchange rates and our foreign exchange transactions. There can be no guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require prior approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. As a result, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Our foreign exchange transactions under the capital account, however, must be approved in advance by the SAFE.

There can be no assurance that the policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an effect on our foreign exchange transactions and the fulfillment of our other foreign exchange requirements. If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, our payment of dividends in foreign currencies may be affected. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for foreign exchange transactions, our business, financial condition and results of operations may be adversely affected.

*We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and investors' investment.*

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in PRC and international political and economic conditions and the PRC government's fiscal, monetary and currency policies. Since 1994, the conversion of Renminbi into foreign

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currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 10, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. From July 21, 2005 to December 31, 2009, the value of the Renminbi appreciated by approximately 21.2% against the U.S. dollar. In August 2008, the PRC revised the Regulations of the People's Republic of China on Foreign Exchange Control (《外匯管理條例》) to promote the reform of its exchange rate regime. On June 29, 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. The recent change in the PRC currency policy has resulted in the appreciation of the Renminbi against the U.S. dollar from approximately RMB6.83 to US\$1.00 on December 31, 2008 to approximately RMB6.17 to US\$1.00 on May 30, 2014. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies.

The fluctuations in the Renminbi exchange rate against other currencies could have a material impact on our results of operations. A depreciation of Renminbi could increase our costs of purchasing imported equipment, as such depreciation would require us to convert more Renminbi to obtain the equivalent foreign currency necessary to tender payment. On the other hand, an appreciation of Renminbi may cause the prices of our services denominated in other currencies to increase and may affect our strategy to market our services overseas.

Moreover, we will need to convert part of the proceeds denominated in foreign currencies from the Global Offering into Renminbi. The appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi that would be available for our use upon conversion of such proceeds to Renminbi. We cannot predict how the Renminbi will fluctuate in the future. As a result, the fluctuation in the exchange rate between the Renminbi and other currencies could have a material and adverse effect on our business, financial condition and results of operations.

### RISKS RELATING TO THE GLOBAL OFFERING

*There has been no prior public market for our H Shares. The trading volume and market price of the H Shares following the Global Offering may be volatile.*

Prior to the Global Offering, there was no public market for our H Shares. The initial offer price range to the public for our H Shares was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied to list and deal in our H Shares on the Hong Kong Stock Exchange. However, the Global Offering does not guarantee that an active liquid public trading market for our H Shares will develop. In addition, the price and trading volumes of the H Shares may be volatile. Factors such as variations in our turnover, earnings and cash flows or any other developments of our Company may affect the volume and price at which the H Shares will be traded.



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*Future sales or perceived sales of substantial amounts of our securities in the public market, including any future public offering in the PRC, sale of our H Shares by the National Council for Social Security Fund (“NCSSF”) or re-registration of Shares held on our domestic share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings.*

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange pursuant to the Hong Kong Listing Rules.” After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares, or the possibility of such sales, by us could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

Our Unlisted Shares immediately after the Global Offering will be 670.0 million Shares, representing approximately 67.0% of our total issued share capital assuming the Over-allotment Option is not exercised (or approximately 665.5 million Shares, representing approximately 63.7% of our total issued share capital assuming the Over-allotment Option is exercised in full). The H Shares issued and sold under the Global Offering will be 300.0 million H Shares, representing approximately 30.0% of our total issued share capital assuming the Over-allotment Option is not exercised (or 345.0 million H Shares, representing approximately 33.0% of our total issued share capital assuming the Over-allotment Option is exercised in full). The H Shares to be converted from Unlisted Shares and held by the NCSSF immediately after the Global Offering will be 30.0 million H Shares, representing approximately 3.0% of our total issued share capital assuming the Over-allotment Option is not exercised (or approximately 34.5 million H Shares, representing approximately 3.3% of our total issued share capital assuming the Over-allotment Option is exercised in full). The NCSSF has not entered into any undertaking restricting its disposal or resale of these H Shares. See “Share Capital.” Any transfer or disposal of these H Shares by the NCSSF will result in an increase of the number of H Shares available on the market and may affect the share price of our H Shares.

In addition, subject to the approval of the State Council securities regulatory authority, all of our Unlisted Shares may be converted into H Shares, and such converted Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the listing and trading of the converted Shares on an overseas stock exchange. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon



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obtaining the requisite approval, shares currently held on our domestic share register may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

***There can be no assurance if and when we will pay dividends in the future.***

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board at their discretion and will be subject to shareholder's approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC law and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend Policy" for more details of our dividend policy.

***Because the Offer Price per H Share is higher than the net tangible book value per H Share, purchasers of our H Shares in the Global Offering will experience immediate dilution.***

The Offer Price of our H Shares is higher than the net tangible book value per Share of our H Shares immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible assets value of HK\$0.64 per H Share (assuming an Offer Price of HK\$3.00 per H Share and no exercise of the Over-allotment Option), or HK\$0.84 per H Share (assuming an Offer Price of HK\$3.70 per Share and no exercise of the Over-allotment Option), and existing shareholders will receive an increase in the net tangible book value per share of their H Shares. If we issue additional H Shares in the future, purchasers of our H Shares may experience further dilution.

***Our H Shares may be subject to cancellation or disciplinary proceedings if there is a breach by us of the Hong Kong Listing Rules or any undertakings which may have been given in favor of the Hong Kong Stock Exchange.***

Upon the Listing, we will be required to comply with applicable laws and regulations in Hong Kong (including the Hong Kong Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee of the Hong Kong Stock Exchange finds that there has been a breach by us of, or any circumstance which causes us to breach, the Hong Kong Listing Rules or such other undertakings which may have been given in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee of the Hong Kong Stock Exchange may instigate cancellation or disciplinary proceedings in accordance with the Hong Kong Listing Rules.

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***We may need to raise additional funds.***

We may require additional cash in the future. Our future capital needs and our business plans may require us to issue additional equity, bonds or obtain additional credit facilities. If additional equity or equity-linked securities related to our Group are issued, this may result in the dilution of existing shareholders' holdings. In addition, the incurrence of indebtedness would result in increased debt service obligations resulting in operating and financing covenants that would restrict our operations or our ability to pay dividends to shareholders.

***Investors should not rely on any information contained in press articles or other media regarding us and the Global Offering.***

Prior to the publication of this prospectus, there has been press and media coverage regarding our Company and the Global Offering. Such press and media coverage may include references to certain events or information that do not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them.

Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to purchase our H Shares.

***The industry statistics and forward-looking information contained in this prospectus may not be accurate, reliable or fair.***

Statistical and other information relating to the PRC and our industry contained in the section headed "Industry Overview" in this prospectus have been compiled partly from various publicly available PRC official government publications as well as industry reports we commissioned from independent industry consultants. We believe that the sources of such information are appropriate sources for such information and have taken 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. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters nor any of their respective affiliates or advisors, nor we or any of our affiliates or advisors have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

This prospectus contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group that are based on the beliefs of our management as well as assumptions made

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## RISK FACTORS

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by and information currently available to our management. When used in this prospectus, the words “anticipate,” “believe,” “could,” “estimate,” “expect,” “going forward”, “future”, “prospective”, “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industries and markets in which we operate;
- our strategy, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industries and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- projects under construction or planning;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed “Financial Information” in this prospectus with respect to trends in prices, volumes, operations and margins, overall market trends, risk management and exchange rates.

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## **RISK FACTORS**

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Subject to the requirements of the Hong Kong Listing Rules, we do not intend to publicly 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 in this prospectus are qualified by reference to this cautionary statement.