

---

## CONNECTED TRANSACTIONS

---

### CONNECTED PERSONS

The following persons are our connected persons and we will continue our continuing connected transactions with them after the Global Offering.

**(a) BSAM**

Following the Global Offering (whether or not the Over-allotment Option is exercised), BSAM will hold more than 10% of our issued share capital and will remain as our substantial shareholder. Under Rules 14A.11(1) and (4), BSAM and its associates are our connected persons.

**(b) Changzhou Zhengyuan Environmental Protection Resources Utilization Co., Ltd.**

Changzhou Zhengyuan Environmental Protection Resources Utilization Co., Ltd. (“**Changzhou Zhengyuan**”) is a joint venture partner of Changzhou Company, which is a sino-foreign cooperative joint venture established under PRC law. According to the articles of association of Changzhou Company, although Changzhou Zhengyuan does not hold any equity interest in Changzhou Company nor share any profit of Changzhou Company, it has the right to appoint one out of five directors of Changzhou Company and is thus entitled to exercise more than 10% of the voting power at board meetings of Changzhou Company. As under PRC law, the board is the highest authority of a sino-foreign cooperative joint venture, rather than the shareholders’ general meeting, we believe that the voting power controlled by Changzhou Zhengyuan at the board meeting is equivalent to the voting power at the general meeting for other companies, thus under Rules 14A.11(1) and (4) of the Hong Kong Listing Rules, Changzhou Zhengyuan and its associates are our connected persons.

Accordingly, the transactions between our Group and BSAM, Changzhou Zhengyuan and/or their respective associates will constitute our continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

### CONNECTED TRANSACTIONS

We have entered into certain agreements with BSAM and its associates, including the Non-Competition Agreement and the Tenancy Agreement. BSAM also provides guarantee to us for our loan facilities. Transactions under these agreements and the guarantees will constitute our connected transactions or continuing connected transactions within the meaning of the Hong Kong Listing Rules.

Meanwhile, we have also entered into the General Supply and Service Agreement with Changzhou Zhengyuan. Transactions under these agreements will constitute our continuing connected transactions within the meaning of the Hong Kong Listing Rules.

---

## CONNECTED TRANSACTIONS

---

### NON-RECURRENT TRANSACTIONS

#### (1) *Non-Competition Agreement*

We and BSAM entered into the Non-Competition Agreement on December 23, 2013, pursuant to which we are granted an option to acquire the New Business Opportunity (as defined in “Relationship with Controlling Shareholders” of this prospectus), call option and the pre-emptive rights. See “Relationship with Controlling Shareholders” for details of the Non-Competition Agreement.

Under the Non-Competition Agreement, when we decide whether to exercise any option to acquire the New Business Opportunity, call option or pre-emptive right granted under the Non-Competition Agreement, we shall comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules.

#### (2) *Guarantee provided by BSAM*

Our Company entered into a facility agreement with the Asian Development Bank (“**ADB**”) on April 12, 2013, pursuant to which, our Company will borrow up to RMB equivalent to of US\$100,000,000 term loan facility made available by ADB (the “**ADB Loan**”) and as a condition of such borrowing, BSAM, as the Controlling Shareholder, shall provide a parent guarantee in favor of ADB for our Company’s performance of its obligations under such facility agreement (the “**BSAM Guarantee**”). BSAM therefore entered into a guarantee agreement with ADB on the same day for the provision of such guarantee. As at the Latest Practicable Date, we are not aware of ADB having made any claim against BSAM pursuant to the guarantee provided by BSAM.

As advised by ADB, it is standard practice for ADB to require credit enhancement for its loans which may include parent guarantees for some of them. Normally all companies or institutions cooperating with ADB will comply with this requirement. If we request ADB to release the BSAM Guarantee, it will take us long time to negotiate with ADB and we cannot guarantee more favorable conditions can be obtained. We believe our request for release of the BSAM Guarantee would be commercially impracticable, time consuming, unduly burdensome and costly and most importantly could adversely affect our reputation in the market.

Pursuant to Rule 14A.65(4) of the Hong Kong Listing Rules, the guarantee provided by BSAM in favor of us shall constitute a form of financial assistance provided by our connected person in favor of us. Such guarantee will be exempted from the reporting, announcement and independent shareholders’ approval requirements under Rule 14A.65(4) of the Hong Kong Listing Rules for the following reasons: (i) such financial assistance is on normal commercial terms, and (ii) no security over our assets is granted in respect of such financial assistance.

According to the terms of the BSAM Guarantee, the above guarantee provided by BSAM in favor of us will be released after we have paid off all the debts under the ADB Loan.

## CONNECTED TRANSACTIONS

### CONTINUING CONNECTED TRANSACTIONS

#### *Summary Table of Our Continuing Connected Transactions*

<u>Nature of transaction</u>	<u>Applicable Hong Kong Listing Rules</u>	<u>Waiver sought</u>	<u>Proposed annual cap for the year ending December 31,</u>		
			<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Exempt continuing connected transactions</b>					
(1) Tenancy Agreement . . . .	14A.33(3)	N/A	Nil	Nil	Nil
(2) General Supply and Service Agreement . . . . .	14A.33(3)	N/A	RMB5,346,000	RMB5,346,000	RMB5,346,000

### EXEMPTED CONTINUING CONNECTED TRANSACTIONS

#### *Continuing Connected Transactions Exempted under Rules 14A.33(3)(b)*

The following transactions are made in the ordinary course of business and on normal commercial terms where each of the relevant percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will, as our Directors currently expect, not exceed 0.1% on an annual basis or less than 1% on an annual basis and the transaction is a connected transaction only because it involves a person who is a connected person of our Company by virtue of its relationship with our Company's subsidiary or subsidiaries. Under Rule 14A.33(3)(b) of the Hong Kong Listing Rules, the transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

#### *(1) Tenancy Agreement*

**Principal terms:** Our subsidiary Beijing Research Institute entered into a tenancy agreement with BSAM on June 3, 2014 (the "**Tenancy Agreement**"), pursuant to which BSAM has agreed to lease an apartment with a total area of approximately 20 square meters located at Room 1511, Tower B, 19 Finance Street, Xicheng District, Beijing to Beijing Research Institute for office use free of rental.

The Tenancy Agreement is valid for a term of three years commencing on the Listing Date to the third anniversary of the Listing Date. Beijing Research Institute has a priority option to renew the lease by issuing a written notice to BSAM at least ninety days before expiry of the lease. BSAM shall, upon receipt of the said notice, renew the lease with Beijing Research Institute before its expiry for another three years for unlimited times, subject to the restrictions and regulations under the Hong Kong Listing Rules. Beijing Research Institute has the right to terminate the lease at any time by issuing a written notice to BSAM at least one month in advance.

---

## CONNECTED TRANSACTIONS

---

**Reasons for the transaction:** We have been using the above property as office for the three years ended December 31, 2011, 2012 and 2013. Any relocation will cause unnecessary disruption.

**Historical amounts:** The rental payments made to BSAM for the three years ended December 31, 2011, 2012 and 2013 were nil, nil and nil respectively.

(2) *General Supply and Service Agreement*

**Principal terms:** Our subsidiary Changzhou Company entered into a General Supply and Service Agreement with Changzhou Zhengyuan on May 28, 2014, pursuant to which, Changzhou Zhengyuan will provide heat/gas supply management services, management consultation service, slag utilization and coordination service and other services to us.

The General Supply and Service Agreement is valid for a term of three years commencing on the Listing Date except that the management consultation service will be valid until December 30, 2030.

**Existing agreements:** Changzhou Zhengyuan and City Administration Bureau of Changzhou City Wujin District entered into the “Supplementary Agreement to the Heat Supply Service of the Concession Agreement of the Treatment of Municipal Solid Waste in Wujin District of Changzhou” with Changzhou Company on October 16, 2012, pursuant to which, Changzhou Company will pay a monthly heat supply management service fee to Changzhou Zhengyuan on a RMB10/ton basis according to the amount of heat supplied to Changzhou Niutang Chemical Limited (“**Niutang Chemical**”). Such amount of heat supply is based on the amount signed each month between Changzhou Company and Niutang Chemical. The term of the agreement is in line with the term of the heat supply contract entered into between Changzhou Company and Niutang Chemical. If the Niutang Chemical heat supply contract is terminated, then the heat supply service agreement will also be terminated correspondingly. According to the agreement of the Niutang Chemical heat supply contract, the contract will expire on July 31, 2016. Upon the expiration of the contract, both parties may continue with the existing contract if there is no disagreement.

Changzhou Zhengyuan and Changzhou Liujie Cleaning Company Limited entered into the “Gas Supply Agreement for Changzhou Liujie Cleaning Company Limited” with Changzhou Company on January 1, 2013, pursuant to which, Changzhou Company will provide gas supply service to Changzhou Liujie Cleaning Company Limited, at a price of RMB185 per ton, where Changzhou Zhengyuan will charge RMB55 per ton as management fee from the gas supply turnover of Changzhou Company. The term of the agreement is from January 1, 2013 to December 31, 2015. Upon the expiration of the contract, both parties may enter into a separate agreement and continue with the existing contract if there is no disagreement.

Changzhou Zhengyuan and Wujin District Niutang Hainuan Hot Water Supply Station entered into the “Gas Supply Agreement for Hainuan Hot Water Station” with Changzhou Company on January 1, 2013, pursuant to which, Changzhou Company will provide gas supply service to Wujin District Niutang Hainuan Hot Water Supply Station, at a price of RMB185 per ton, where Changzhou Zhengyuan will charge RMB55 per ton

---

## CONNECTED TRANSACTIONS

---

as management fee from the gas supply turnover of Changzhou Company. The term of the agreement is from January 1, 2013 to December 31, 2015. Upon the expiration of the contract, both parties may enter into a separate agreement and continue with the existing contract if there is no disagreement.

Changzhou Zhengyuan and Changzhou Kaishun Electric Material Company Limited entered into the “Gas Supply Agreement for Kaishun Electric” with Changzhou Company on January 1, 2013, pursuant to which, Changzhou Company will provide gas supply service to Changzhou Kaishun Electric Material Company Limited, at a price of RMB170 per ton, where Changzhou Zhengyuan will charge RMB40 per ton as management fee from the gas supply turnover of Changzhou Company. The term of the agreement is from January 1, 2013 to December 31, 2015. Upon the expiration of the contract, both parties may enter into a separate agreement and continue with the existing contract if there is no disagreement.

Changzhou Zhengyuan and Wujin District Niutang Chengkang Hot Water Supply Station entered into the “Gas Supply Agreement for Chengkang Hot Water Station” with Changzhou Company on January 1, 2013, pursuant to which, Changzhou Company will provide gas supply service to Wujin District Niutang Chengkang Hot Water Supply Station, at a price of RMB175 per ton, where Changzhou Zhengyuan will charge RMB45 per ton as management fee from the gas supply turnover of Changzhou Company. The term of the agreement is from January 1, 2013 to December 31, 2015. Upon the expiration of the contract, both parties may enter into a separate agreement and continue with the existing contract if there is no disagreement.

Changzhou Zhengyuan entered into the “Management Service Agreement” with Changzhou Company on December 23, 2013, pursuant to which, Changzhou Zhengyuan will provide management coordination service to Changzhou Company. Changzhou Company has agreed to pay management service fee (discounted on a pro-rata basis for the number of days in actual operation for an incomplete year) to Changzhou Zhengyuan on the following basis: (i) for 2013 to 2017, Changzhou Company shall pay management service fee of RMB1 million per year to Changzhou Zhengyuan; (ii) for 2018 to the year when the concession period under the “Concession Agreement” executed between Changzhou Company and City Administration Bureau of Changzhou City Wujin District expires, Changzhou Company shall pay management service fee of RMB1.3 million per year to Changzhou Zhengyuan. Changzhou Company shall pay the management service fee to Changzhou Zhengyuan before December 31 of the relevant year.

Changzhou Zhengyuan entered into the “Slag Processing Service Agreement” (“SPSA”) with Changzhou Company on February 25, 2014. According to the SPSA, upon Changzhou Zhengyuan’s completion of the slag utilization and coordination, Changzhou Company shall make two payments to Changzhou Zhengyuan in July 2014 and January 2015 for the slag processing fee for the year 2014 of an aggregated amount of RMB2.5 million. The term for the SPSA is from January 1, 2014 to December 31, 2014. Starting from 2014, Changzhou Zhengyuan and Changzhou Company will enter into new agreement each year.

**Price Determination Policies:** The pricing of the services provided under the General Supply and Service Agreement shall be determined in accordance with the following principles in descending order:

- (a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular service, such service shall be supplied at the

---

## CONNECTED TRANSACTIONS

---

applicable government-prescribed price. Where a government-guided fee standard is applicable, the price shall be agreed within the range of the government-guided price;

- (b) Market price: based on normal commercial terms and the price of the same or similar services provided by an independent third party during their ordinary course of business on normal commercial terms; and
- (c) Agreed price: to be determined by adding a reasonable profit over a reasonable cost.

**Reasons for the transaction:**

In terms of heat/gas supply management services, the reason for such transaction is that Changzhou Zhengyuan, as the maintenance party of the heat/gas supply pipeline network, is entitled to charge Changzhou Company accordingly for its usage of heat/gas supply pipeline network.

In terms of management consultation service, the reason for such transaction is that Changzhou Zhengyuan has relevant experience in the coordination, maintenance and communication with external public relations where Changzhou Company is located, thus able to provide coordination service for Changzhou Zhengyuan.

In terms of slag utilization and coordination service, the reason for such transaction is that Changzhou Company, as the principal party of the construction and operation of WTE plants for municipal solid waste in the Wujin District of Changzhou pursuant to the “Concession Agreement” entered into with the City Administration Bureau of Changzhou City Wujin District, it is entitled to receive an annual financial subsidy in relation to slag processing which is funded by the Changzhou municipal government. The actual slag processing coordination will actually be conducted by Changzhou Zhengyuan as appointed by the City Administration Bureau of Changzhou City Wujin District. Accordingly, Changzhou Company will collect relevant financial subsidy on behalf of Changzhou Zhengyuan and then transfer such amount in full to Changzhou Zhengyuan.

**Historical amount:** The amount of transaction for the three years ended December 31, 2011, 2012 and 2013 are approximately RMB4,419,000, RMB5,045,000 and RMB3,347,000, respectively.

**Annual cap:** The maximum aggregate annual amount for each of the years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31,		
	2014	2015	2016
	(RMB'000)		
Aggregate amount . . . . .	5,346	5,346	5,346

**Basis of the cap:** We have taken into consideration the following when determining the above annual caps:

- (i) with respect to heat/gas management services, the estimated amount of heat/gas to be supplied under

---

## CONNECTED TRANSACTIONS

---

each heat/gas management service agreement per annum and the current rates of management service charged by Changzhou Zhengyuan are not currently expected to increase based on our communications with Changzhou Zhengyuan; (ii) with respect to management consultation service, the agreed fixed amount of management consultation fee as prescribed in the Management Service Agreement entered into between our Company and Changzhou Zhengyuan; (iii) with respect to slag utilization and coordination service, the estimated amount of slag to be utilized per annum and the current rates of slag processing are not currently expected to increase based on our communications with Changzhou Zhengyuan.