

TENGY

浙江天潔環境科技股份有限公司
Zhejiang Tengy Environmental Technology Co., Ltd

(a joint stock company incorporated in the People's Republic
of China with limited liability)

Stock code : 1527

Global Offering



Sole Sponsor



China Everbright Capital Limited

Sole Global Coordinator



China Everbright Securities (HK) Limited

Joint Bookrunners and Joint Lead Managers



China Everbright Securities (HK) Limited

Convoy Investment Services Limited
康宏証券投資服務有限公司

IMPORTANT

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

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Zhejiang Tengy Environmental Technology Co., Ltd
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GLOBAL OFFERING

Number of Offer Shares	:	35,000,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	3,500,000 H Shares (subject to re-allocation)
Number of International Placing Shares	:	31,500,000 H Shares (subject to re-allocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$15.5 per H Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	:	RMB1.0 per H Share
Stock code	:	1527

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

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 30 September 2015 and, in any event, not later than Thursday, 8 October 2015. The Offer Price will be no more than HK\$15.5 per Offer Share and is expected to be no less than HK\$10.9 per Offer Share unless otherwise announced. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such case, notices of the reduction in the number of Offer Shares and/or the Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese), and on the website of our Company at www.tengy.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Thursday, 8 October 2015, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for termination" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic, and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in the PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our Shares. Such differences and risk factors are set forth in the sections headed "Risk Factors", "Regulatory Overview", "Appendix IV — Taxation and Foreign Exchange", "Appendix V — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. persons.

24 September 2015

EXPECTED TIMETABLE

If there is any change to the following expected timetable of the Hong Kong Public Offer, our Company will issue an announcement in Hong Kong to be published on the websites of our Company (www.tengy.com) and the Stock Exchange (www.hkexnews.hk).

2015
(Note 1)

Latest time to complete electronic applications under the
HK eIPO White Form Service through the designated
website at www.hkeipo.hk (Note 2) 11:30 a.m. on Wednesday, 30 September

Application lists open (Note 3) 11:45 a.m. on Wednesday, 30 September

Latest time for the following:

- Lodging **WHITE** and **YELLOW** Application
Forms 12:00 noon on Wednesday, 30 September
- Giving electronic application instructions
to HKSCC (Note 4) 12:00 noon on Wednesday, 30 September
- Completing payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Wednesday, 30 September

Application lists close (Note 3) 12:00 noon on Wednesday, 30 September

Expected Price Determination Date (Note 5) on or about Wednesday, 30 September

Announcement of (i) the Offer Price; (ii) the level of
indications of interest in the International Placing; (iii) the
level of applications in the Hong Kong Public Offer; (iv)
the basis of allotment of the Hong Kong Offer Shares
under the Hong Kong Public Offer; and (v) the number of
Offer Shares reallocated, if any, between the Hong Kong
Public Offer and the International Placing to be published
in The Standard (in English) and the Hong Kong
Economic Times (in Chinese) and on the website of our
Company at www.tengy.com and on the website of the
Stock Exchange at www.hkexnews.hk on Friday, 9 October

EXPECTED TIMETABLE

Announcement of the results of allocations, the number of the Hong Kong Offer Shares successfully applied for, and Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants under the Hong Kong Public Offer to be available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares — Publication of Results” in this prospectus from Friday, 9 October

Results of allocations in the Hong Kong Public Offer to be available at **www.tricor.com.hk/ipo/result** with a “search by ID Number/Business Registration Number” function Friday, 9 October

H Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on (*Note 6*) Friday, 9 October

White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be despatched on (*Note 7*) Friday, 9 October

Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m. on Monday, 12 October

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 September 2015, the application lists will not open or close on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 30 September 2015 and, in any event, not later than Thursday, 8 October 2015. If, for any reason, the Offer Price is not agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Thursday, 8 October 2015, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

EXPECTED TIMETABLE

6. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** for 1,000,000 Hong Kong Offer Shares or more and who have provided all information required by their Application Forms may collect refund cheques (where applicable) and H Share certificates (where applicable) from our H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 October 2015 or any other place and date hereafter notified by our Company in The Standard (in English) and the Hong Kong Economic Times (in Chinese) as the place and date of despatch of H Share certificates/refund cheques. Individual applicants who opt for collection in person must not authorise any other person to make collection on their behalf. Applicants being corporations which opt for collection in person must attend by their authorised representatives, each bearing a letter of authorisation from such corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity and authorisation documents (where applicable) acceptable to our H Share Registrar. Uncollected H Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms promptly thereafter. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more and who have provided all information required by their Application Forms may collect their refund cheques, if any, in person but may not elect to collect their H Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant's stock account or CCASS Investor Participant's stock account, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares are the same as those for applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form**. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — Despatch/collection of share certificates and refund monies" in this prospectus.
7. e-Auto Refund payment instructions/refund cheques will be issued with respect to wholly or partially unsuccessful applications and also with respect to successful applications in the event that the Offer Price is less than the maximum Offer Price per H Share payable on application of HK\$15.5.

H Share certificates are expected to be issued on or around Friday, 9 October 2015 but will only become valid certificates of title provided that (i) the Hong Kong Public Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be on or about Monday, 12 October 2015. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

For details relating to the structure of the Global Offering and the conditions and procedures for application for Hong Kong Offer Shares, please refer to the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text in this prospectus. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Leveraging around 18 years of industry experience and continual innovation in industrial technologies, we are a well-established integrated atmospheric pollution control solution provider, with a primary focus on particulate emission control by offering mega-sized precipitators to customers in various industries. Precipitators are air-cleaning devices designed to trap and remove particulate matters from the exhaust gas stream of an industrial process. They are widely installed at coal-fired power plants, metallurgical plants, paper mills and other industrial production plants. As such, our customers may be the project owners of power plants and industrial production plants, or contractors who undertake the construction work of power plants and industrial production plants.

We mainly offer three types of precipitators: electrostatic precipitators, bag filter precipitators and electrostatic-bag composite precipitators. The majority of precipitators we offered during the Track Record Period were electrostatic precipitators, which accounted for approximately 84.4%, 82.2%, 75.0% and 84.4% of our revenue from the segment of construction contracts for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. According to the Yubo Report, we were the third largest manufacturer of precipitators in the PRC in 2014 based on total sales amount and the fourth largest exporter of precipitators in the PRC in 2014 based on total export sales amount.

To capture business opportunities arising from the fast-growing atmospheric pollution control industry in the PRC, we, leveraging our experience and expertise in particulate control, started to offer desulfurisation and denitrification solutions to our customers in 2003 and second half of 2013, respectively.

We offer tailor-made atmospheric pollution control solutions to our customers on a project basis, which generally comprise engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance. Our product specifications and scope of services are customised and made-to-order in accordance with the specific technical requirements of our customers. Depending on the specifications and technical requirements of our customers, we may provide atmospheric pollution control devices, comprising precipitators, desulfurisation system and/or denitrification system, either on an integrated basis or a standalone basis. Our atmospheric pollution control solutions are offered to new installation projects as well as upgrading or modification projects. During the Track Record Period, we completed 167 new installation projects and 64 upgrading or modification projects.

SUMMARY

We believe that we have benefited, and will continue to benefit, from the synergies created through our customers' satisfaction and broader market recognition of our brand, which have helped increase our opportunities and ability of securing project bids. Additionally, with our industry qualifications and track record in successfully completing projects for state-owned power plants in the PRC, we believe we have reinforced our reputation among power enterprises as well as customers in other industries as a reliable atmospheric pollution control solution provider, which enable us to draw on their support for new installation and upgrading or modification projects. Project owners, particularly the state-owned power generation enterprises, generally adopt the most economically advantageous tender approach which takes both technical merit and price into consideration in tender assessment, instead of adopting the lowest price approach. Therefore, leveraging our industry experience, we believe we have advantages over new entrants in project bidding.

We generally enter into contracts with our customers on a project basis. We completed 231 projects during the Track Record Period, and had 51 ongoing projects and 36 uncommenced projects as at 31 March 2015. For details of our projects, please refer to the section headed "Business — Our Atmospheric Pollution Control Solutions — Our Projects" in this prospectus starting on page 121.

During the Track Record Period, our total revenue from continuing operations grew from approximately RMB553.5 million in 2012 to approximately RMB594.1 million in 2013 and further to approximately RMB781.9 million in 2014, while our profit from continuing operations grew from approximately RMB20.9 million in 2012 to approximately RMB25.8 million in 2013 and further to approximately RMB74.2 million in 2014. And we recorded revenue and profit from continuing operations of approximately RMB156.6 million and RMB15.1 million for the three months ended 31 March 2015, respectively. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the value of our new contracts (which represents the aggregate value of the contracts we entered into during a specified period) was approximately RMB479.2 million, RMB1,246.2 million, RMB1,167.9 million and RMB177.4 million, respectively. As at 31 March 2015, our backlog (including applicable VAT) (which represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date and assuming performance in accordance with the terms of the contract) was approximately RMB1,669.4 million. For details of our backlog, please refer to the section headed "Business — Backlog and New Contract Value" in this prospectus.

OUR CUSTOMERS

Our customers include project owners or third-party contractors which outsource to us certain parts of a project. Our atmospheric pollution control systems are generally installed at production facilities of power generation industry, metallurgical industry, paper mill and other industries. During the Track Record Period, a significant portion of our revenue was generated from our provision of atmospheric pollution control solutions in power generation industry, which accounted for approximately 88.4%, 83.6%, 86.7% and 89.4% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively.

SUMMARY

For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our top five customers (including TGL in 2012 and 2013) in aggregate accounted for approximately 62.7%, 39.6%, 25.3% and 42.9% of our total revenue from continuing operations, respectively, while our largest customer accounted for approximately 31.0%, 12.0%, 6.6% and 16.2% of our total revenue from continuing operations, respectively. Our Controlling Shareholder, TGL, was our largest customer and one of our top five customers in 2012 and 2013, accounting for approximately 31.0% and 7.7% of our total revenue from continuing operations, respectively. TGL was our predecessor which carried on our business of provision of atmospheric pollution control solutions before the transfer of such business to our Company in 2010. As a transitional arrangement for those subsisting contracts relating to provision of atmospheric pollution control solutions entered into by TGL before the business transfer in October 2010, TGL and our Company agreed that we shall be responsible for the design and manufacture of the products in accordance with the subsisting contracts, and TGL shall pay us the corresponding contract amount after the relevant customers settled the same with TGL. As such, TGL was considered as our customer under such transitional arrangement pursuant to the applicable accounting principles. Starting from around November 2010, we have entered into contracts with our customers directly. Save for two subsisting contracts, one of which was novated by TGL to us on 1 July 2015, all other subsisting contracts entered into by TGL under such transitional arrangement had been completed as at the Latest Practicable Date. For details of the two subsisting contracts, please refer to the section headed “Relationship with Controlling Shareholders — Independence of Management, Financial and Operation” in this prospectus starting on page 180.

TGL was our major customer in 2012 and 2013 only because of the transitional arrangement as mentioned in the preceding paragraph, and our products were eventually delivered, through TGL, to the counterparties of the subsisting contracts entered into by TGL before the business transfer. Therefore, for illustration purpose, assuming such counterparties were deemed to be our customers (collectively, “**Deemed Customers**”) as if the subsisting contracts were entered into by our Company, our top five Deemed Customers would account for approximately 42.0% and 37.5% of our total revenue, respectively, while our largest Deemed Customer would account for approximately 17.6% and 12.0% of our total revenue, respectively, for the years ended 31 December 2012 and 2013. TGL was not among our top five customers for the year ended 31 December 2014 and the three months ended 31 March 2015. All of our top five customers for the year ended 31 December 2014 and the three months ended 31 March 2015 were customers whom we directly entered into contracts with.

During the Track Record Period, save for TGL, none of our Directors, Supervisors or their respective close associates, or any Shareholder who, to the best of knowledge of our Directors, holds more than 5% of our issued share capital, had any interest in any of the above five largest customers and five largest Deemed Customers. For further information, please refer to the section headed “Business — Customers” starting on page 138 of this prospectus.

OUR SUPPLIERS

Our suppliers mainly comprise (i) suppliers of raw materials, parts and components, (ii) manufacturers who provide processing services, and (iii) service providers who provide auxiliary services in respect of on-site installation work. We generally select our suppliers with reference to factors including but not limited to their technical capabilities, competitiveness in price, quality, length of business relationship with us and requirements of our customer under a particular project.

SUMMARY

Our key raw materials, parts and components are steel sheets, steel structural components, filter bags, electrical instruments and other component parts for our production of atmospheric pollution control equipment. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our five largest suppliers accounted for approximately 29.5%, 27.7%, 36.3% and 31.9% of our cost of sales, respectively, while our largest supplier accounted for approximately 6.6%, 8.9%, 17.6% and 9.2% of our cost of sales, respectively. During the Track Record Period, none of our Directors, Supervisors or their respective close associates, or any Shareholder who, to the best of knowledge of our Directors, holds more than 5% of our issued share capital, had any interest in any of the five largest suppliers. For further information, please refer to the section headed “Business — Procurement, Raw Materials, Parts and Components and Suppliers” starting on page 141 of this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows, each of which is discussed in details in the section headed “Business — Our Competitive Strengths” in this prospectus:

- we have a leading position in the electrostatic precipitator industry in the PRC;
- we have established a solid customer base in the PRC and expanded into overseas market;
- we are well-positioned to benefit from the increasing focus by the PRC government on environmental protection and favourable governmental policies;
- we have strong research and development, design and engineering capabilities;
- our products and solutions are cost competitive in view of our ability to manufacture key parts of our products and the location of our production facilities in close proximity to major logistics centre of China; and
- we have an experienced and dedicated management team with significant industry expertise.

OUR BUSINESS STRATEGIES

We intend to implement the following strategies, each of which is discussed in details in the section headed “Business — Our Business Strategies ” in this prospectus:

- we will continue to enhance our research and development capabilities, to develop new technologies and to expand our product portfolio;
- we will continue to develop selected overseas markets and expand our international market share;

SUMMARY

- we intend to expand our fabrication capacity to enhance competitiveness and strengthen our market position in the PRC;
- we intend to strengthen sales and capture the growing opportunities in the atmospheric pollution control solution industry in the PRC; and
- we intend to pursue strategic acquisition opportunities.

KEY OPERATIONAL AND FINANCIAL DATA

The tables below present summary of financial information for the years/periods indicated and should be read together with Appendix I to this prospectus and discussion under the section headed “Financial Information” starting on page 223 in this prospectus.

Selected items of consolidated statement of comprehensive income

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
CONTINUING OPERATIONS					
Revenue	553,543	594,058	781,905	137,471	156,645
Cost of sales	(488,916)	(514,476)	(638,746)	(117,969)	(126,769)
Gross profit	64,627	79,582	143,159	19,502	29,876
Profit before tax from continuing operations	27,321	35,026	100,168	10,045	20,455
Profit for the year/period from continuing operations	<u>20,895</u>	<u>25,833</u>	<u>74,189</u>	<u>5,734</u>	<u>15,140</u>
DISCONTINUED OPERATION					
Profit for the year/period from a discontinued operation	<u>5,606</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

SUMMARY

The following table sets forth a breakdown of our revenue by segment and each item as a percentage of revenue for the years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Revenue										
Construction										
contracts . . .	539,425	97.4	575,393	96.9	776,596	99.3	136,780	99.5	155,914	99.5
Sales of goods	13,150	2.4	18,665	3.1	5,013	0.6	691	0.5	731	0.5
Rendering of services . . .	<u>968</u>	<u>0.2</u>	<u>—</u>	<u>—</u>	<u>296</u>	<u>0.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u><u>553,543</u></u>	<u><u>100.0</u></u>	<u><u>594,058</u></u>	<u><u>100.0</u></u>	<u><u>781,905</u></u>	<u><u>100.0</u></u>	<u><u>137,471</u></u>	<u><u>100.0</u></u>	<u><u>156,645</u></u>	<u><u>100.0</u></u>

Revenue generated from our construction contracts amounted to over 95% of our total revenue throughout the Track Record Period. Our construction projects represented our tailor-made and integrated atmospheric pollution control solutions offered to our customers, comprising engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance to our customers on a project basis. Our sales of goods represented sales of materials, including raw materials, spare parts and components and scrape sales to related parties or Independent Third Parties. Our rendering of services represented our technology consultancy services to our customers on stand-alone basis, which includes repair and replacement, and on-site engineering and maintenance services to those projects which were not constructed by us.

Revenue increased by 31.6% from RMB594.1 million for the year ended 31 December 2013 to RMB781.9 million for the year ended 31 December 2014. The increase is primarily contributed by revenue from construction projects which increased from RMB575.4 million for the year ended 31 December 2013 to RMB776.6 million for the year ended 31 December 2014 as a result of (i) the RMB117.5 million increase in construction projects for our ash removal and transfers devices, particularly electrostatic precipitator, bag filter precipitator and pneumatic ash conveying system in 2014, which was driven by increased government subsidies to enterprises to upgrade or replace old precipitators for the conformation to tougher emission standards; and (ii) the RMB83.7 million increase in construction projects revenue in relation to desulfurisation and denitrification devices after the PRC government imposed tougher environmental measures in 2014 by raising standards for energy-saving and environmental protection, particularly the emission of SO₂.

SUMMARY

The following table sets forth a further revenue breakdown of construction contracts by types of atmospheric pollution control solutions:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	%	
Construction projects										
Ash removal and transfers										
- Electrostatic precipitator	455,564	84.4	472,973	82.2	582,977	75.0	87,405	63.8	131,578	84.4
- Electrostatic-bag composite precipitator	45,104	8.4	53,873	9.4	49,557	6.4	14,334	10.5	1,126	0.7
- Bag filter precipitator	24,303	4.5	40,757	7.1	43,146	5.6	21,454	15.7	18,239	11.7
- Others (e.g. Pneumatic ash conveying system)	13,510	2.5	7,026	1.2	16,463	2.1	3,652	2.7	591	0.4
SO ₂ and NO _x emission reduction (desulfurisation and denitrification devices)	944	0.2	764	0.1	84,453	10.9	9,935	7.3	4,380	2.8
Total	539,425	100.0	575,393	100.0	776,596	100.0	136,780	100.0	155,914	100.0

With our project delivery experience for new installation projects, we also provided large scale upgrading and modification projects for power plants and other industries during the Track Record Period. The following table sets forth a revenue breakdown of construction projects by types of new installation project and upgrading and modification project:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	%	
Revenue										
Newly installed	532,854	98.8	525,636	91.4	538,599	69.4	122,070	89.2	134,287	86.1
Upgrading/modification	6,571	1.2	49,757	8.6	237,997	30.6	14,710	10.8	21,627	13.9
Total	539,425	100.0	575,393	100.0	776,596	100.0	136,780	100.0	155,914	100.0

The following table sets forth a breakdown of our gross profit margin and net profit margin (stated as a percentage of revenue) for the years/periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	<i>(Unaudited)</i>				
Gross profit margin (%)	11.7	13.4	18.3	14.2	19.1
Net profit margin for the year/period from continuing operations (%)	3.8	4.3	9.5	4.2	9.7

SUMMARY

The increases in gross profit margin and net profit margin for the year ended 31 December 2013 were mainly attributable to the generally higher gross margin of projects with revenue contribution for the year ended 31 December 2013 as a result of the increased market demand. In addition, the significant increases in gross profit margin and net profit margin for the year ended 31 December 2014 and for the three months ended 31 March 2015 were attributable to (i) the increase of construction contracts with more favourable pricing terms negotiated by us in 2014 upon the adoption of the increasingly stringent emission standard in the PRC and (ii) the generally lower production costs per project as a result of cost advantages from the economies of scale upon the increase in production activities in 2014 and the first quarter of 2015.

Selected line items of consolidated statement of financial position

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-Current Assets	75,389	88,229	129,027	133,187
Current Assets	573,797	687,568	780,195	823,740
Current Liabilities	458,446	559,224	668,460	701,025
Total Equity	190,740	216,573	240,762	255,902

Consolidated cash flow statements

	Year ended 31 December			Three months ended
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from/(used in)				
operating activities	(104,960)	573	29,281	4,421
Net cash flows generated from/(used in)				
investing activities	28,737	(7,343)	(16,112)	(638)
Net cash flows generated from/(used in)				
financing activities	76,767	16,149	(25,111)	(1,402)
Net increase/(decrease) in cash and cash				
equivalents	544	9,379	(11,942)	2,381
Cash and cash equivalents at beginning of				
year/period	5,391	5,912	15,168	3,285
Effect of foreign exchange rate changes, net . .	(23)	(123)	59	62
Cash and cash equivalents at end of				
year/period	5,912	15,168	3,285	5,728

SUMMARY

KEY FINANCIAL RATIOS

	As at 31 December			As at 31 March
	2012	2013	2014	2015
Current ratio	1.3	1.2	1.2	1.2
Gearing ratio (%)	61.4	56.7	70.5	65.8
Quick ratio	1.2	1.2	1.1	1.1
Return on equity (%)	10.9	11.9	30.8	N/A
Return on assets (%)	3.2	3.3	8.2	N/A

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
Interest coverage	3.6	4.6	11.0	5.6	8.4

(Unaudited)

LISTING EXPENSES

We will incur listing expenses in connection with the Listing, which include professional fees, underwriting commissions and other fees. Listing expenses to be borne by our Group are estimated to be approximately HK\$44.5 million (based on the mid-point of our indicative price range for the Global Offering). The listing expenses of HK\$13.3 million incurred during the Track Record Period was accounted for as other receivables that would have been charged against equity upon the Listing. After the Track Record Period, we expect to incur listing expenses amounting to approximately HK\$31.2 million, among which HK\$3.7 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income and HK\$27.5 million is expected to be capitalised as other receivables that would have been charged against equity upon Listing. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from the estimate. Our Directors do not expect such expenses to have a material adverse impact on our results of operations for the year ending 31 December 2015.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

As at 31 March 2015, we had in total 87 outstanding projects (including 51 ongoing projects and 36 uncommenced projects) with total contract sum of approximately RMB2,339.1 million, among which an amount of approximately RMB576.4 million had been recognised as revenue. Accordingly, the aggregate value of the projects in our backlog (including applicable VAT) as at 31 March 2015 amounted to approximately RMB1,669.4 million. In addition, subsequent to 31 March 2015 and up to the Latest Practicable Date, we have entered into 44 new contracts, with initial contract sum of approximately RMB455.9 million.

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We had not experienced any material change in general business condition during the period between 1 April 2015 and the date of this prospectus in comparison with the same period in 2014. Our Directors confirm that since 31 March 2015 and up to the date of this prospectus, there had not, as far as we are aware, been any material adverse changes in our business, financial, operational or trading position or general economic and market conditions in the PRC or the industry in which we operate that would materially and adversely affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

NET OPERATING CASH OUTFLOW

During the Track Record Period, we experienced net cash outflow from our operating activities for the year ended 31 December 2012 mainly because of (i) our Group's longer trade receivables collection period than our Group's trade payables settlement period; and (ii) the significant increase in trade and bills receivables as a result of our business expansion with more projects obtained. As we escalated our efforts in collecting trade receivables since 2013, we generated operating cash inflow of approximately RMB0.6 million, RMB29.3 million and RMB4.4 million for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively. For further information, please refer to the section headed "Financial Information — Liquidity and Capital Resources" starting on page 252 of this prospectus.

Taking into account the financial resources available to us, including internally generated funds, available credit facilities and estimated net proceeds of the Global Offering, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and TGL will effectively hold as to approximately 10.13%, 5.07%, 2.91% and 51.85% of the total issued share capital of our Company, respectively. TGL was wholly owned by the Bian Family as at the Latest Practicable Date. In short, the Bian Family and TGL are expected to control approximately 69.96% of the total issued share capital of our Company upon the Listing (assuming that the Over-allotment Option is not exercised). In addition, Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu, being members of the Bian Family, are parties to the Acting in Concert Agreement, pursuant to which Mr. Bian Jianguang and Ms. Bian Shu agreed to vote in concert with Mr. Bian for all operational and financial matters at shareholders' meeting and meetings of the Directors of our Company. As such, the Bian Family and TGL will remain as Controlling Shareholders after the Global Offering.

Each of Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and Mr. Bian Weican respectively executed the Undertaking, pursuant to which each of Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and Mr. Bian Weican had undertaken that the number of Shares which he/she may transfer directly or indirectly each year during his/her term of office as the director, supervisor or senior management of our Company

SUMMARY

may not exceed 25% of the total number of the Shares directly and indirectly owned by him/her, and the Shares may not be transferred within one year after the date on which the H Shares are listed and traded on the stock exchange. The Shares held by him/her may not be directly or indirectly transferred within six months after his/her resignation.

TGL was established on 5 June 1995 as a limited liability company in accordance with the PRC laws with a registered share capital of RMB218.0 million as at the Latest Practicable Date. TGL is the holding company of various subsidiaries (including our Group). TGL, together with its subsidiaries, mainly engages in the business of, amongst other things, manufacturing and sale of machineries and spare parts, the sale of steel, building materials and other chemical products, scrap metals recycling and the construction and operation of wind power farms. For details of the businesses engaged by the various subsidiaries of TGL (excluding our Group), please refer to the section headed “Relationship with Controlling Shareholders — Delineation of Business” on page 176 of this prospectus.

REGULATORY COMPLIANCE

During the Track Record Period, certain members of our Group were involved in certain non-compliance incidents in relation to: (i) non-compliance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例) and other relevant regulations relating to contributions to the social insurance funds and the housing provident funds in the PRC for our employees; (ii) non-compliance with the General Provision of Loans (貸款通則) in respect of entering into loan arrangements with TGL; (iii) non-compliance with Chongqing tendering laws and regulations; and (iv) non-compliance with the Measures of the People’s Republic of China on the Administration of Invoices (中華人民共和國發票管理辦法). For further details, please refer to the section headed “Business — Historical Non-compliance” starting on page 166 of this prospectus.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$13.2 per H Share (being the mid-point of the estimated price range), our Directors estimate that the net proceeds to us from the Global Offering will be approximately HK\$417.5 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Global Offering. Our Directors presently intend to use the net proceeds from the Global Offering as follows:

- approximately HK\$109.0 million, or 26.1%, of the net proceeds is expected to be used for acquisition of potential suitable companies and business that we believe can facilitate our expansion strategy, such as companies with substantial research and development, manufacturing and sales capabilities, and companies that allow us to access new markets and establish local customer relationships to complement our existing business. As at the Latest Practicable Date, we had not entered into any letter of intent or agreement for such acquisition nor identified any definite acquisition target;
- approximately HK\$37.6 million, or 9.0%, of the net proceeds is expected to be used for the construction, acquisition of machinery and recruitment of staff for our new production facilities in Turpan City, Xinjiang Province. A portion of the new production facilities in

SUMMARY

Xinjiang Province which comprises a single storey workshop with gross floor area of approximately 11,700 sq.m. is under construction and has commenced trial production in July 2015, while the commercial production is expected to commence in the second half of 2015. Construction of the remaining portion of the above production facilities is expected to commence in the second half of 2015. For further details, please refer to the section headed “Business — Production” starting on page 144 in this prospectus;

- approximately HK\$33.4 million, or 8.0%, of the net proceeds is expected to be used for enhancing our research and development capabilities, including:
 - (i) approximately HK\$8.8 million, or 2.1%, to be used for acquisition of research equipment;
 - (ii) approximately HK\$1.8 million, or 0.4%, to be used for recruitment of overseas technical expert;
 - (iii) approximately HK\$3.3 million, or 0.8%, to be used for collaboration with academic institutions and/or international institutions;
 - (iv) approximately HK\$2.1 million, or 0.5%, to be used for research and development of ancillary systems of particulate control systems, such as ash conveying system;
 - (v) approximately HK\$14.8 million, or 3.5%, to be used for acquisition of technologies for application in atmospheric pollution control systems as follows:
 - approximately HK\$7.0 million, or 1.7%, to be used for acquisition of energy efficient and control technology for application in precipitators;
 - approximately HK\$2.6 million, or 0.6%, to be used for acquisition of technology and/or patent rights for application in bag filter precipitators and electrostatic-bag composite precipitators;
 - approximately HK\$2.6 million, or 0.6%, to be used for acquisition of desulfurisation and denitrification technology (including the reagent and reducing agent for used in the desulfurisation and denitrification);
 - approximately HK\$2.6 million, or 0.6%, to be used for acquisition of heavy metal removal technology; and
 - (vi) approximately HK\$2.6 million, or 0.6%, to be used for leasing new premises for our research, development and design centre.

Save for the proceeds for leasing new premises for our research, development and design centre, the majority of this portion of proceeds is expected to be utilised by end of year 2016;

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- approximately HK\$6.3 million, or 1.5%, of the net proceeds is expected to be used for sales and marketing activities to enhance our brand recognition in the PRC and overseas. To this end, we intend to expand our sales and marketing team, conduct more marketing activities to promote our brand through various means such as industry magazines, and participate in industry related exhibitions and fairs in both PRC and overseas;
- approximately HK\$81.8 million, or 19.6%, of the net proceeds for the purchase of raw materials for our new projects;
- approximately HK\$109.0 million, or 26.1%, of the net proceeds is expected to be used for the repayment of existing bank borrowings, with interest rate in the range of 5.34% to 6.42% and mature in second half of 2015 and first half of 2016, which were used for working capital; and
- approximately HK\$40.4 million, or 9.7%, of the net proceeds for working capital and other general corporate purposes.

To the extent the net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis. Please refer to the section headed “Future Plans and Use of Proceeds” starting on page 280 of this prospectus for further details.

OFFERING STATISTICS

	Based on an Offer Price of HK\$10.9 per H Share	Based on an Offer Price of HK\$15.5 per H Share
Market capitalisation of our Shares upon completion of the Global Offering ⁽²⁾	HK\$1,471.5 million	HK\$2,092.5 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾	RMB3.89 (HK\$4.90)	RMB4.81 (HK\$6.06)

Notes:

1. All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.
2. The calculation of our market capitalisation is based on the assumption that 135,000,000 Shares will be in issue immediately following completion of the Global Offering.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 135,000,000 Shares in issue immediately following the completion of the Global Offering, at the respective Offer Price of HK\$10.9 and HK\$15.5.

SUMMARY

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, we declared cash dividends of RMB204,000, nil, RMB50 million and nil for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. Such dividends were fully paid as at the Latest Practicable Date by our internal resources. However, there is no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year. We currently do not have any specific dividend policy. Please refer to the section headed “Financial Information — Dividend Policy” on page 277 of this prospectus for a detailed description of our dividend policy.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control and can be categorised into: (i) risks relating to our business and the industry in which we operate; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering and the H Shares. Some of the risks that we consider to be material include:

- a substantial portion of our revenue is derived from the provision of atmospheric pollution control solutions, the demand for which highly depends on the PRC government’s atmospheric pollution control policies, which are beyond our control;
- a slowdown in the power generation industry from which a majority of our revenue is generated could have a material adverse effect on our business, financial condition and results of operations;
- we had net operating cash outflow from our operating activities for the year ended 31 December 2012. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected;
- if we are unable to accurately estimate and control overall risks or costs of our fixed-price contracts, or if we fail to execute within our cost estimates, we may experience cost overruns, lower profitability or even losses on projects under such contracts; and
- we may experience delays in trade and bills receivables, progress payments or releases of retention monies for the warranty period by our customers, which in turn may adversely affect our cash flow position.

Please refer to the section headed “Risk Factors” starting on page 31 of this prospectus for further details. You should read that entire section carefully before you decide to invest in the Offer Shares.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“12th Five-Year Plan”	the twelfth Five-Year Plan for National Economic and Social Development (2011-2015) approved by the Eleventh NPC in 2011
“Accountants’ Report”	the report by Ernst & Young, certified public accountants, our reporting accountants, in the form set out in Appendix I to this prospectus
“Acting in Concert Agreement”	an agreement dated 21 October 2014 entered into by Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu, being the Bian Family. For details, please refer to the section headed “Relationship with Controlling Shareholders — Overview” in this prospectus
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) relating to the Hong Kong Public Offer, or where the context requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 10 October 2014, which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in Appendix VI to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bian Family”	comprising Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu, being our Controlling Shareholders holding in aggregate, directly and indirectly, approximately 69.96% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised)
“Board” or “Board of Directors”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	Compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chenyu Lvye”	Jiangxi Chenyu Aluminum Industry Ltd* (江西晨宇鋁業有限公司), a company incorporated in the PRC with limited liability on 19 November 2004, and is owned as to 40% by TGL and 60% by Zhejiang Yuanteng Industrial Group Co, Ltd* (浙江遠騰實業集團有限公司), which is owned as to 70% by Ms. Yuan Shuihong (袁水紅), who is the mother of Mr. Zhang Yuanyuan and the mother-in-law of Ms. Bian Shu, and 30% by Mr. Zhang Xuchu (章旭初), who is the father of Mr. Zhang Yuanyuan and the father-in-law of Ms. Bian Shu
“Chief Executive”	the chief executive (as defined in the SFO) of our Company
“China” or “PRC”	the People’s Republic of China, but for the purposes of this prospectus and unless otherwise indicated, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being the sole sponsor of the Global Offering
“China Everbright Securities” or “Sole Global Coordinator”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, being the sole global coordinator and the stabilising manager of the Global Offering
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Company” or “our Company”	Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司), a joint stock limited liability company incorporated in the PRC on 28 December 2009
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules and, for the purpose of this prospectus, refers to TGL and/or the Bian Family
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 18 August 2015 and entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for subsidiaries) as referred to in the section headed “Statutory and General Information — Other Information — Indemnities” in Appendix VII to this prospectus
“Director(s)”	the director(s) of our Company
“Domestic Shares”	ordinary shares in the capital of our Company, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) promulgated on 16 March 2007 by the NPC that became effective on 1 January 2008
“GDP”	Gross domestic product (except as otherwise specified, all references to GDP growth rates are to read as opposed to nominal rates of GDP growth)
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Green Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries, or where the context so requires in respect of the time prior to our Company’s incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it

DEFINITIONS

“H Shares”	overseas-listed foreign shares in the ordinary share capital of our Company with a nominal value of RMB1.0 each, which are to be listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Tricor Investor Services Limited
“HK eIPO White Form”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by us, as specified on the designated website at www.hkeipo.hk
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) (including Hong Kong Accounting Standards and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 3,500,000 new H Shares being initially offered by our Company for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares, subject to re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by members of the public in Hong Kong (subject to re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), and subject to the terms and conditions stated in this prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the conditional Hong Kong Public Offer underwriting agreement dated 23 September 2015 and entered into between, among others, our Company and the Hong Kong Underwriters relating to the Hong Kong Public Offer, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Indebtedness Date”	31 July 2015
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not a connected person(s) of our Company
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to selected professional, institutional and private investors as set out in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 31,500,000 new H Shares expected to be initially offered for subscription pursuant to the International Placing, representing 90% of the initial number of the Offer Shares, subject to re-allocation and the Over-allotment Option as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the conditional international underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date
“ISO”	International Organisation for Standardisation, a non-governmental organisation that develops and publishes international standards
“Joint Bookrunners”	China Everbright Securities (HK) Limited and Convoy Investment Services Limited, being the bookrunners to the Global Offering
“Joint Lead Managers”	China Everbright Securities (HK) Limited, Convoy Investment Services Limited and BMI Securities Limited being the lead managers to the Global Offering
“Latest Practicable Date”	16 September 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication

DEFINITIONS

“Listing”	the listing of H Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 12 October 2015, on which dealings in the H Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the securities market operated by the Stock Exchange under the Listing Rules (excluding the options market) which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for the Articles of Association of Companies Listing Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated on 27 August 1994 by the former State Council Securities Commission, the predecessor of the CSRC, and the State Commission for Restructuring the Economic System, as amended, supplemented or otherwise modified from time to time
“Ministry of Finance” or “MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOEP”	Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOST”	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
“Mr. Bian”	Mr. BIAN Yu (邊宇), an executive Director and chairman of our Company, a shareholder holding approximately 10.13% direct interest in our Company and 64.08% interest in TGL upon the Listing (assuming no Over-allotment Option is exercised) and Mr. Bian Jianguang’s son, Ms. Bian Shu’s brother, Mr. Zhang Yuanyuan’s brother-in-law and the nephew of Mr. He Jianmin

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“Mr. Bian Jianguang”	Mr. BIAN Jianguang (邊建光), a non-executive Director and vice chairman of our Company, a shareholder holding approximately 5.07% direct interest in our Company and 22.81% interest in TGL upon the Listing (assuming no Over-allotment Option is exercised) and the father of Mr. Bian and Ms. Bian Shu, the father-in-law of Mr. Zhang Yuanyuan, and brother-in-law of Mr. He Jianmin’s spouse
“Mr. Bian Weican”	Mr. BIAN Weican (邊偉燦), an executive Director and a shareholder holding approximately 1.37% direct interest in our Company upon the Listing (assuming no Over-allotment Option is exercised)
“Mr. Chen Jiancheng”	Mr. CHEN Jiancheng (陳建誠), a shareholder holding approximately 1.37% direct interest in our Company upon the Listing (assuming no Over-allotment Option is exercised)
“Mr. He Jianmin”	Mr. HE Jianmin (何建民), a shareholder holding approximately 1.37% direct interest in our Company upon the Listing (assuming no Over-allotment Option is exercised), and brother-in-law of Mr. Bian Jianguang’s spouse, uncle of Mr. Bian and Ms. Bian Shu
“Mr. Zhang Yuanyuan”	Mr. ZHANG Yuanyuan (章袁遠), a non-executive Director of our Company and the spouse of Ms. Bian Shu, the brother-in-law of Mr. Bian and the son-in-law of Mr. Bian Jianguang
“Ms. Bian Shu”	Ms. BIAN Shu (邊姝), a Supervisor and a shareholder holding approximately 2.91% direct interest in our Company and 13.11% interest in TGL upon the Listing (assuming no Over-allotment Option is exercised). Ms. Bian Shu is Mr. Bian Jianguang’s daughter, Mr. Bian’s sister, Mr. Zhang Yuanyuan’s spouse and the niece of Mr. He Jianmin
“Non-Competition Agreement”	the non-competition agreement dated 20 October 2014 and entered into between our Company and the Controlling Shareholders as referred to in the section headed “Relationship with Controlling Shareholders — Non-Competition Agreement” in this prospectus
“NPC”	The National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

“Offer Price”	the final price per Offer Share in Hong Kong dollars (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed “Structure of the Global Offering — Determination of the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option
“OHSAS”	Occupational Health and Safety Assessment Series, a series of standards for health and safety management systems which are intended to help organisations to control occupational health and safety risks
“Over-allotment Option”	the option expected to be granted by our Company to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) and exercisable at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 5,250,000 additional new H Shares (in aggregate representing 15% of the H Shares initially offered under the Global Offering), at the Offer Price, to cover the over-allocation in the International Placing as described in detail in the section headed “Structure of the Global Offering” in this prospectus
“Parent Group”	collectively, TGL and its subsidiaries (excluding our Group)
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“PBOC Rate”	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day’s interbank foreign exchange rate in China and with reference to prevailing exchange rate on the world financial markets
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as adopted at the Fifth Session of the Standing Committee of the Eight NPC on 29 December 1993, which became effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time. The latest revision was approved on 28 December 2013 and came into effect on 1 March 2014

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“PRC GAAP”	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises
“PRC government” or “State”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Zhejiang Confuway Law Firm, our PRC legal advisers
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 30 September 2015, on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than 8 October 2015
“Promoter(s)”	the promoters of our Company, namely TGL, Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu, Mr. He Jianmin, Mr. Bian Weican and Mr. Chen Jiancheng
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities Law”	the Securities Law of the PRC (中華人民共和國證券法)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.0 each comprising Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) promulgated by the State Council on 4 August 1994, as amended and supplemented or otherwise modified from time to time
“sq.m.”	square metre(s)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company established pursuant to the PRC Company Law, as described in the section headed “Directors, Supervisors and Senior Management” in this prospectus
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“TGL”	Tengy Group Limited, also known as Tianjie Group Co., Ltd.*, (天潔集團有限公司) (formerly known as Zhejiang Tianjie Machinery Group Co., Ltd.* (浙江天潔機械集團有限公司)), a company incorporated in the PRC with limited liability on 5 June 1995 and is one of our Controlling Shareholders holding approximately 51.85% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). It is owned as to approximately 64.08% by Mr. Bian, 22.81% by Mr. Bian Jianguang and 13.11% by Ms. Bian Shu
“Tianjie Electronic and Technology”	Zhuji City Tianjie Electronic and Technology Co., Ltd* (諸暨市天潔電子科技有限公司), a company incorporated in the PRC with limited liability on 29 June 2009 and a wholly owned subsidiary of our Company

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“Tianjie General Machinery”	Zhejiang Tianjie General Machinery Co., Ltd.* (浙江天潔通用機械有限公司), (formerly known as Zhejiang Zhuji City Tianjie Environmental Engineering Co. Ltd.* (浙江省諸暨市天潔環保工程有限公司), Zhejiang Tianjie Environmental Engineering Co. Ltd.* (浙江天潔環保工程有限公司) and Zhejiang Tianjie Fengdian Equipment Manufacturing Co., Ltd.* (浙江天潔風電設備製造有限公司)), a company incorporated in the PRC with limited liability on 1 November 1999 and is wholly owned by TGL
“Tianjie Installation Engineering”	Zhuji City Tianjie Installation Engineering Co., Ltd* (諸暨市天潔安裝工程有限公司), a company incorporated in the PRC with limited liability on 14 May 2003 and a wholly owned subsidiary of our Company
“Tianjie Metal Material”	Shanghai Tianjie Metal Material Co., Ltd* (上海天潔金屬材料有限公司) (formerly known as Shanghai Yuyue Metal Material Co., Ltd*) (上海譽越金屬材料有限公司), a company incorporated in the PRC with limited liability on 30 April 2009 and is owned as to 99% by TGL and 1% by Mr. Bian
“Tianjie New Energy”	Zhejiang Tianjie New Energy Co., Ltd.* (浙江天潔新能源股份有限公司), a company incorporated in the PRC with limited liability on 13 May 2008 and a non-wholly-owned subsidiary of TGL. Tianjie New Energy is owned as to approximately 85.02% by TGL, approximately 4.98% by Mr. Chen Laixing, our former Director, approximately 5% by Lv Yinggang (呂瑩鋼), and approximately 5% by Yang Boming (楊波明) both of which are Independent Third Parties
“Tianjie New Materials”	Zhejiang Tianjie New Materials Co., Ltd* (浙江天潔新材料有限公司) (formerly known as Zhuji City Tianjie Silicon Steel Co., Ltd.* (諸暨市天潔矽鋼有限公司)), a company incorporated in the PRC with limited liability on 28 August 1992 and is wholly owned by TGL
“Tianjie Special Steel”	Zhejiang Tianjie Special Steel Co., Ltd. * (浙江天潔特鋼有限公司) (formerly known as Zhejiang Yao Yu Steel Co., Ltd.* (浙江耀宇特鋼有限公司) and Zhuji City Tianjie Special Steel Co., Ltd.* (諸暨市天潔特鋼有限公司)), a company incorporated in the PRC with limited liability on 23 June 2000 and a non-wholly-owned subsidiary of TGL. Tianjie Special Steel is owned as to approximately 56% by TGL and approximately 44% by Mr. Bian Jianguang
“Track Record Period”	the period comprising the three years ended 31 December 2014 and the three months ended 31 March 2015

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“Turpan Environmental”	Turpan Environmental Technology Co., Ltd* (吐魯番天潔環境科技有限公司), a company incorporated in the PRC with limited liability on 19 July 2013 and a wholly owned subsidiary of our Company
“Undertaking”	the undertakings executed by Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and Mr. Bian Weican respectively on 12 February 2015. For details, please refer to the section headed “Relationship with Controlling Shareholders — Overview” in this prospectus
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”	US dollars, the lawful currency of the United States
“VAT”	value-added tax
“Yuanteng Logistics”	Zhuji City Yuanteng Logistics Co., Ltd.* (諸暨市遠騰物流有限公司), (formerly known as Zhuji City Tianjie Logistics Co., Ltd.* (諸暨市天潔物流有限公司)), a company incorporated in the PRC with limited liability on 11 January 2008 and is wholly owned by Yuanteng Group
“Yuanteng Group”	Zhejiang Yuanteng Industrial Group Co, Ltd* (浙江遠騰實業集團有限公司), which is owned as to 70% by Ms. Yuan Shuihong (袁水紅), who is the mother of Mr. Zhang Yuanyuan and the mother-in-law of Ms. Bian Shu, and 30% by Mr. Zhang Xuchu (章旭初), who is the father of Mr. Zhang Yuanyuan and the father-in-law of Ms. Bian Shu
“Yubo”	Beijing Yubozhiye Market Consulting Co., Ltd.* (北京宇博智業市場諮詢有限公司), a company which is principally engaged in provision of market research and consultancy services, an Independent Third Party
“Yubo Report”	the research report “Market Research Report of Environmental Protection Equipment Industry in the PRC from 2008 to 2018” (中國環保裝備行業細分市場及標桿企業深度研究報告2008-2018年) prepared by Yubo

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“Zhejiang Jiasheng”	Zhejiang Jiasheng New Materials Co., Ltd. * (浙江嘉盛新材料有限公司), a company incorporated in the PRC with limited liability on 9 March 2011 and a non-wholly-owned subsidiary of TGL. Zhejiang Jiasheng is owned as to approximately 80% by TGL and approximately 20% by Shanghai Hongjiu Energy Technology Co., Ltd* (上海宏久能源科技有限公司), which is wholly-owned by Yuanteng Group
“Zhuji Runtian”	Zhuji City Runtian Property Management Ltd.* (諸暨市潤天物業管理有限公司), a company incorporated in the PRC with limited liability on 28 September 2011 and is wholly-owned by Shanghai Tianji Investment Management Co, Ltd* (上海天集投資管理有限公司), which is wholly owned by TGL
“%”	per cent

All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.

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

Unless otherwise specified in this prospectus, amounts denominated in RMB have been translated, for the purposes of illustration only, into Hong Kong dollars at the rate of RMB0.8 = HK\$1.0.

The exchange rates above are for reference only. No expectation is made by our Group that any amounts in RMB or Hong Kong Dollars could have been or could be converted at the above rate or at any other rates or at all.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC, or PRC laws, regulations, governmental authorities, institutions and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with an asterisk “” is included for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“backlog”	the contract value of work we estimate to remain to be completed as of a certain date assuming the performance is in accordance with the terms of the contract
“bag filter precipitator”	a type of dry dust filtering device with filter bag made of textile filter cloth or non-textile felt, which is suitable for trapping small, dry and non-fibrous dust for gas purification purpose by using the filtration effects of fibre fabrics to filter dusty gas
“CE”	the CE marking is a key indicator of a product’s compliance with European Union legislation and enables the free movement of products within the European markets
“denitrification”	a process of removing NO _x from flue gas by chemical reaction
“desulfurisation”	a process of removing sulfur dioxide from flue gas by chemical reaction
“electrostatic precipitator”	a device for removing small particles, as of smoke, dust, or oil, from flue gas, as air, by passing the flue gas first through an electrically charged screen that gives a charge to the particles, then between two charged plates where the particles are attracted to one surface
“electrostatic-bag composite precipitator”	a device for removing ash by both electric force and bag filter
“flue gas”	flue gas is gas that exits to the atmosphere via a flue, which is a pipe or channel for conveying exhaust gases from a fireplace, oven, furnace, boiler or steam generator, including the exhaust gas produced at power plants
“megawatt” or “MW”	a unit of power and 1 MW equals to 1,000kW
“mg”	milligrams
“mg/Nm ³ ”	milligrams per cubic metre, as measured under standard conditions
“m ³ ”	cubic metre
“nitrogen oxide”	one of a group of highly reactive gases known as oxides of nitrogen or nitrogen oxides

GLOSSARY OF TECHNICAL TERMS

“NO _x ”	Nitrogen compound
“particulate matter” or “PM”	particulate matter includes a mixture of solid particles and liquid droplets found in the air
“PM2.5”	fine particulate matter smaller than 2.5 micrometres in diameter, which is a product of combustion, primarily caused by burning fuels, and can cause respiratory health problem
“precipitators”	devices designed to trap and remove particulate matters from the exhaust gas stream of an industrial process
“sulfur dioxide” or “SO ₂ ”	one of a group of highly reactive gases known as oxides of sulfur

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plans of operation;
- the competitive markets for our products and the action and development of our competitors;
- our ability to maintain our market position;
- cost fluctuations in the price and availability of raw materials;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- projects under construction or planning;
- general economic conditions and outlook of the PRC economy;
- capital market development;
- the regulatory environment of our industry in general; and
- future development in our industry.

The words “anticipate”, “believe”, “could”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the 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. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions. 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.

In this prospectus, statements of or references to our intention or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors should, before making any investment decision in relation to the H Shares, carefully consider all of the information set out in this prospectus and, in particular, consider the following risks and uncertainties in connection with an investment in our Company. Particular attention should be paid to the fact that we are a PRC company, our Group's business is located substantially in the PRC, and we are governed by a legal and regulatory regime which may, in some respects, differ from that prevailing in other countries or regions. Our business, financial condition, results of operations and/or future prospects could be materially and adversely affected by the occurrence of any of the risks stated below. Possible declination in the trading price of the H Shares on account of any of the risks could cause potential investors to be deprived of part or all of their investments.

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

RISKS RELATING TO OUR BUSINESS AND THE INDUSTRY IN WHICH WE OPERATE

A substantial portion of our revenue is derived from the provision of atmospheric pollution control solutions, the demand for which highly depends on the PRC government's atmospheric pollution control policies, which are beyond our control

During the Track Record Period, a substantial portion of our revenue was derived from our provision of atmospheric pollution control solutions in the PRC. The demand for atmospheric pollution control solutions highly depends on the PRC government's atmospheric pollution control policies. With a view to promoting its efforts in atmospheric pollution abatement in response to increasing public awareness on the importance of atmospheric pollution control, the PRC government has promulgated a series of laws and regulations governing pollution issues of certain industries, including the power generation industry. These rules cover issues such as (i) general support policy for the development of the environmental protection industry, (ii) mandatory requirements for the installation of new and/or upgrading of existing atmospheric pollution control equipment, such as precipitators, desulfurisation units and denitrification units, (iii) maximum exhaust emission standards which are increasingly stringent, and (iv) pilot plans for new business models within the environmental protection industry which aim at increasing the effectiveness and enforcement of such mandatory standards. In order to comply with the increasingly stringent emission standards, it is expected that a majority of the existing power-generation units will require installation of new precipitators, desulfurisation units and/or denitrification units or upgrading of the existing ones in the next few years. In this regard, our gross profit margin increased significantly from approximately 13.4% in 2013 to approximately 18.3% in 2014, which was primarily attributable to our ability to obtain more favourable pricing terms due to the adoption of the increasingly stringent emission standard in the PRC. Accordingly, demand for our atmospheric pollution control products and services is closely correlated to the environmental protection requirements imposed on our existing and target customers. However, we cannot assure that such policies currently favourable to our operation and the atmospheric pollution control industry as a whole will continue to be in force and not subject to

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modification or even termination and, even so, whether our existing or target customers will engage us in the provision of the requisite products and/or services. Accordingly, there can be no assurance that our relatively high gross profit margin could be sustainable in the future, nor could we directly benefit from favourable changes in industry policies.

A slowdown in the power generation industry from which a majority of our revenue is generated could have a material adverse effect on our business, financial condition and results of operations

Despite that we offer atmospheric pollution control solution in various industries, a significant portion of our revenue was generated from our provision of atmospheric pollution control solutions in power generation industry, which accounted for approximately 88.4%, 83.6%, 86.7% and 89.4% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. Therefore, demand for our business, to a certain extent, depends on the operation performance and growth in the power generation industry, which in turn depend on the demand for electricity plants in the PRC. In recent years, a significant number of new power plant projects, and in particular, coal-fired power plant projects, have been built throughout the PRC. Provincial governments, in conjunction with the central government, take into account, among other things, demand forecasts when determining the number of new power generation projects and the number of power plant expansion projects within the province. While the power generation industry in the PRC has been growing in recent years as a result of rapid industrialisation and rising residential power demand, there can be no assurance that the current demand for electricity in the PRC, and thus the number of power plant projects to which our atmospheric pollution control solutions are targeted, will continue to increase or be sustained. A slowdown in the power generation industry, or in the PRC economy, will generally lead to a decrease in the number of new power plant projects available to us and/or a decrease of investment in atmospheric pollution control measures by the power generation industry which in turn could have a material adverse effect on our business, financial condition and results of operations.

We had net operating cash outflow from our operating activities for the year ended 31 December 2012. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected

Although we had net cash inflow from operating activities of approximately RMB0.6 million, RMB29.3 million and RMB4.4 million for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively, we recorded net cash outflow from operating activities of approximately RMB105.0 million for the year ended 31 December 2012. For further information, please refer to the section headed “Financial Information — Liquidity and Capital Resources” in this prospectus. Although we have tightened our internal control measures to reduce the risk of experiencing net cash outflow in the future, we cannot assure you that we will not experience net cash outflow in the future. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. For example, if we do not have sufficient net cash flow to fund our future capital requirements, pay our trade and bills payables and repay our outstanding debt obligations when

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they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or curtail our development and expansion plans. As a result, our business, financial condition and results of operations may be materially and adversely affected.

If we are unable to accurately estimate and control overall risks or costs of our fixed-price contracts, or if we fail to execute within our cost estimates, we may experience cost overruns, lower profitability or even losses on projects under such contracts

Most of our revenue was derived from fixed-price contracts during the Track Record Period. Under these contracts, we executed our projects at a fixed contract price and as a result, we may be unable to recover any cost overruns. In determining the contract price, we generally take into account various factors, such as the engineering design costs, procurement and manufacturing costs and labour costs. Since we usually make procurement arrangement with suppliers after we have entered into the relevant contracts, we generally would not be able to pass on any increase in material costs to our customers if we experience an unexpected increase in material costs during the period from signing of a contract to placing the relevant purchase order with our suppliers. The actual costs may differ from our estimation due to unanticipated technical problems which may require us to incur additional costs we cannot recoup, failure to properly estimate the repair or maintenance requirements of our customers and other unforeseeable reasons. In the event of inaccurate estimation of the overall risks or costs, or occurrence of unforeseen circumstances, we may experience cost overruns, lower profitability or even losses on our projects which could have a material adverse impact on our business, financial condition, results of operations and prospects.

We may experience delays in trade and bills receivables, progress payments or releases of retention monies for the warranty period by our customers, which in turn may adversely affect our cash flow position

Our contracts typically require our customers to make payments to us in instalments upon completion of milestones. For details of the payment terms under our contracts, please refer to the section headed “Business — Our Atmospheric Pollution Control Solutions — Our Contracts — Payment” in this prospectus. As a result, we are often required to commit cash and other resources to projects prior to receiving sufficient payments from our customers to cover certain expenditures on the projects as they are incurred. Additionally, approximately 5% to 15% of the contract value is typically withheld by our customers as retention money for the warranty period against any possible defects in the quality of our products. The retention money will only be released to us after expiration of the warranty period, which is generally a period of 18 to 36 months after the date of delivery of our products, or 12 months after the date of issue of the preliminary certificate of completion, whichever is earlier. As at 31 December 2012, 2013 and 2014 and 31 March 2015, we had total trade and bills receivables of approximately RMB271.4 million, RMB330.0 million, RMB294.5 million and RMB269.5 million, respectively. If there is any delay in any stage of our production and testing process, or if our customers request for postponement of product delivery due to (i) customers’ own delay in the requisite preparatory work before on-site installation and testing of our products could take place, or (ii) customers’ own delay in the overall construction schedule of their own operation facilities, it may result in delayed receipt of payments from our customers. Delays in trade and bills receivables, progress payments or release of retention money from our customers may increase our

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working capital needs. If a customer defaults in payment on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other projects. There can be no assurance that trade and bills receivables, progress payments and retention monies will be remitted by our customers to us on a timely basis or at all, or that we will be able to efficiently manage the level of bad debts arising from such payment practice.

Our backlog may not be a reliable indicator of our future results of operations

We have provided in this prospectus contract backlog figures that represent our estimate of total contract value of work which remained to be completed pursuant to the terms of outstanding contracts as of a certain date. Please refer to the section headed “Business — Backlog and New Contract Value” in this prospectus for further details. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of our future operating results. Our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlogs. The contract value of a project represents the contract sums as of the relevant date we expect to receive, assuming our performance is in accordance with the terms of the contract. As at 31 March 2015, the aggregate value of contracts in our backlog (including applicable VAT) was approximately RMB1,669.4 million. This figure is based on the assumption that the relevant contracts will be performed in accordance with their terms. Any modification, termination or suspension of these contracts by our customers, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on our backlog, and could reduce the amount of our backlog and the revenue and profits that we can actually generate and pose pressure on our working capital. In addition, projects may remain in our backlog for an extended period of time beyond what was initially anticipated due to various factors beyond our control. We cannot guarantee that the contract sums estimated in our backlog will be realised in a timely manner, or at all, or that, even if they are realised, will result in profits. As a result, investors shall not unduly rely on our backlog information or consider it as a reliable indicator of our future profits or results of operations.

Our atmospheric pollution control systems have a long product life which may lead to a long average replacement cycle

We estimate that the product life of our atmospheric pollution control systems is around 30 years provided that such systems are under proper operations and regular inspections, and maintenance of the machinery are performed by our customers or project owners during such period. While we may from time to time derive revenue from our existing customers by providing repairing, upgrading or modification services for their existing atmospheric pollution control systems, there is no assurance that we can derive revenue from our existing customer base through sales of new atmospheric pollution control systems as these customers’ needs for product replacement may be low due to the long product life of our atmospheric pollution control systems or technical advancement being slower than what we expected. If we are unable to identify new customers for our atmospheric pollution control systems or develop new products which fulfil the evolving technical and capacity requirements of our new and existing customers, the growth of our revenue may be restricted and as a result of which our financial performance may be adversely affected.

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Some of our operations require certain permits, licences and certificates, which may be degraded, temporarily suspended or even revoked due to non-compliance with relevant laws or other reasons

We are required to obtain and maintain valid certificates, licences and permits issued by various governmental authorities in order to execute our contracts. We must comply with the restrictions and conditions imposed by various levels of government agencies to maintain our permits, qualifications and certificates. Please refer to the sections headed “Regulatory Overview” and “Business — Certificates, Licences and Permits” in this prospectus for further details. Our PRC Legal Advisers have confirmed that we have obtained all certificates, licences and permits that are necessary for our operations. If we fail to comply with applicable regulations or satisfy any of the conditions required for the maintenance of our permits, licences and certificates, our permits, licences and certificates could be downgraded, suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely impact our business, financial condition and results of operations.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licences and certificates for our business operations, the PRC governmental authorities at various levels conduct routine or special inspection, examinations, inquiries and audits on us. We may be subject to suspension or revocation of the relevant permits, licences or certificates, fines or other penalties due to any non-compliance discovered as a result of such inspections, examinations, inquiries and audits. We cannot assure you that we will be able to maintain or renew our existing permits, licences and certificates or obtain future permits, licences, and certificates required for our future continued operation on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary updated permits, certificates and licences, our qualification to conduct our business may be adversely impacted.

We may not be able to maintain our growth or manage our expansion effectively

In light of the increasing awareness of the importance of atmospheric pollution control and the recent promulgation by the PRC government of policies imposing increasingly stringent requirements regarding emission of exhaust gases and particulate matter, we intend to continue to pursue business growth by developing new technologies and products, expanding overseas market and enhancing our manufacturing capabilities.

We believe that the success of future plans for growth depends on certain factors including, among others, our ability to (i) secure financing necessary for business expansion; (ii) operate in an efficient and cost-effective manner; (iii) maintain and expand our existing customer base; (iv) construct, operate and expand our production bases; (v) consolidate and strengthen our sales network, (vi) well manage standing relationships with suppliers; (vii) ensure prompt and sufficient supply of raw materials, parts and components; (viii) formulate and implement our business expansion plans; (ix) hire, train and retain qualified personnel at both technical and managerial levels; and (x) respond to challenges that may arise in new and existing markets and/or business segments. Some of the aforementioned factors are beyond our control. Thus, we cannot assure that we will be able to expand our operations effectively in the future and any failure to do so may adversely affect our financial

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condition and results of operations, since we would have devoted substantial financial resources (in the form of capital expenditures) and human resources (in the form of management time and expenses associated with hiring, training and retaining new employees) towards any such failed attempts at expansion.

From time to time and increasingly so for the next few years, we expect that we will continue to need significant capital to fund our operations and manage our capacity in accordance with market demand. Our continued ability to obtain sufficient external financing is subject to a variety of uncertainties, including but not limited to, our future financial condition, results of operations and cash flow, general market conditions for financing activities, market conditions for financing activities of companies which operate in the atmospheric pollution control industry, and social, economic, financial, political and other conditions in the PRC and elsewhere. Sufficient external financing may not be available to us on a timely basis, on reasonable market terms, or at all. As a result, we may be forced to curtail our expansion plans or delay the deployment of new or expanded services until we obtain such financing.

Eventually if we fail to successfully implement our business expansion plans, increase sales and promote newly developed products, develop businesses of strategic significance, and further enlarging our domestic and international market share, or if we encounter difficulties in any of the aforesaid and cannot find ways to address or alleviate the impacts of the same, our growth, prospects, profitability, financial condition and results of operations may be adversely affected.

Our overseas expansion plan and strategy may not yield the desired results

While a substantial portion of our revenue was generated from the PRC during the Track Record Period, we plan to enter into or further develop selected overseas markets and continue our overseas expansion. This involves enhancing our sales and service network through cooperation with local agents and service providers, and if and when appropriate, establishing representative offices or branch offices in overseas countries. There is no assurance that our overseas expansion strategy will be implemented successfully. Expansion into overseas markets may expose us to certain risks associated with differences in general business and competitive environment, legal and regulatory requirements, licensing regimes, tendering regimes, and potential adverse tax consequences. We cannot assure you that we will be able to identify suitable business partners and projects that would allow us to further expand into or operate successfully in overseas markets.

Substantial damage to persons or loss of property may occur in the course of our manufacturing and on-site installation processes

Our business operations, particularly the manufacturing and on-site installation activities, involve inherent risks and occupational hazards which cannot be completely eliminated through preventive efforts. For instance, industrial accidents may occur in the course of our manufacturing and on-site installation process. Notwithstanding our commitment to providing a working environment that prioritises occupational health and safety of our employees and accordingly the adoption of a set of relevant policies within our Group, we cannot assure that accidents, which may result in property damages, bodily injuries or fatalities, will not occur during our operations. Possible incurrence of

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significant costs on compensating any uninsured damage or loss to property, medical expenses or medical leave payments in respect of personal injuries as well as fines and penalties for violation of applicable PRC laws and regulations may materially and adversely affect our financial condition and results of operations.

We may not be able to obtain sufficient funding for our operations, and our customers may not be able to obtain sufficient funding for project development, which in turn may adversely affect our financial condition and results of operations

Our operations are capital-intensive. According to our typical contracts entered into with our customers, only a down payment of approximately 10% to 30% of the contract value is payable to us upon signing of the contract or after we have provided the delivery schedule, quality assurance plan and project design specifications to our customer (as the case may be). As a result, we may require to use our own cash and other resources to finance the project before we receive progress payments from our customer.

As we further grow our business, including by engaging in more domestic and overseas projects and expanding our production capacities, we expect our capital requirements to increase significantly. We cannot assure you that cash generated from our operations will be sufficient to fund our development and expansion, particularly given we have experienced net operating cash outflow during the Track Record Period. To the extent that our funding requirements exceed our financial resources, we will be required to incur additional debt, seek equity financing or defer planned expenditure. Our ability to obtain adequate external funding depends on a number of factors that are beyond our control, such as general economic and market conditions, credit availability, interest rates and the performance of our business. If we are unable to obtain funding in a timely manner or at a reasonable cost, our expansion plans may be delayed, our projects may be hindered, and our financial performance and growth prospects may be materially and adversely affected.

Similarly, many of our customers require bank financing for their construction projects and therefore financing terms available in the market have a significant influence on the demand for our products and services. Accordingly, if our customers are unable to obtain financing in a timely manner or at a reasonable cost, relevant projects may be adversely affected, and our financial performance and growth prospects may be materially and adversely affected.

If we are unable to develop or adopt new technologies and provide services that meet the changing market demands in a timely manner, we may lose business opportunities to our competitors, which may have a material adverse effect on our business, financial condition, results of operations and prospects

The atmospheric pollution control industry is constantly evolving and the technology incorporated in the design, manufacturing, testing and upgrading of such products or systems is ever-changing. Accordingly, we need to grasp, predict and adapt to market trends, develop or adopt competitive technologies, and utilise and integrate our technological innovations into the development of our products and services on a timely basis. Further, responding and adapting to technological developments and changing customer needs may require us to invest substantial resources, time and capital. Should we be unable to adapt timely and sufficiently to changes in product specifications or

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to keep pace with new technological advancements in the atmospheric pollution control industry, or to offer products or services in the future in satisfaction of customer's specific needs or requirements, our ability to contract, perform new projects, and maintain and expand our customer base may be significantly impaired, and we may lose projects and other business opportunities to our competitors. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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 believe core technologies and critical manufacturing processes are crucial for our continuing success and development. As at the Latest Practicable Date, we had 35 patent registrations (including two invention patents and 33 utility model patents), four applications for patent and two registered trademarks in the PRC and one registered trademark in Hong Kong. Whilst availability of protection is limited under the existing laws of the PRC, we rely upon a combination of patents, copyrights, trademarks, trade secrets, confidentiality policies, non-disclosure and other contractual arrangements to protect our own intellectual property rights. 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. There can be no assurance that our intellectual property rights will not be challenged, misappropriated or circumvented by third parties. We may not be able to promptly detect infringement and take 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.

In addition, 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 trademarks, and require us to enter into licensing agreements that may not be favourable or acceptable to us.

Loss of senior management executives, senior technicians and employees with expertise could adversely affect our business and prospects

The success of our operations depends on our ability to attract and retain experienced professionals, including executive officers and professionals such as designers, engineers, research and development personnel and senior technicians with the requisite experience, knowledge and expertise to successfully carry out our business. We face the risk of losing employees to competitors who are able to offer more competitive compensation packages, and we may be unable to find replacements in a timely manner. We may also need to make significant expenditures to train new joiners in order to enhance their relevant experience and specialised skills. In addition, we need to hire additional qualified managerial, technical, marketing and other personnel to implement our business initiatives to develop new technologies and products, grow our business operations, and strategically expand our overseas market. We cannot assure you that we will be able to maintain an adequate skilled

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labour force necessary for us to execute our projects or to perform other corporate activities, nor can we guarantee that staff costs will not increase as a result of a shortage of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or to maintain an adequate labour force on a continuous basis, our business could be adversely affected and our future growth and expansion plans may be hindered.

We may not have sufficient insurance coverage for the risks associated with the operation of our business

As at the Latest Practicable Date, we have maintained property insurance for our production facilities in Zhuji City, Zhejiang Province. However, we have not maintained any third-party liability insurance to cover claims in respect of personal injury or environmental damage arising from accidents relating to our operations, nor do we carry any product liability insurance, business interruption insurance or key-man life insurance on our key employees. Our operations involve operational risks and risks of occupational hazards including accidents and other mishaps, business interruptions, environmental damage, personal injuries and fatalities, or damage to our facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and acts of God.

We cannot assure you that our insurance coverage will be sufficient to cover the loss arising from any or all such events or that we will be able to renew existing insurance cover on commercially reasonable terms, if at all. Should an incident occur in relation to which we have no insurance cover or inadequate insurance cover, we could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, we may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against us in excess of any related insurance cover that we may maintain, our assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on our business, financial condition and results of operations.

We face intense competition in the industry

Despite the competitive landscape of the precipitator manufacturing and servicing market being relatively stable over the past few years in terms of both market share and industry ranking, our Directors are of the view that the atmospheric pollution control industry in the PRC remains competitive and fragmented with both large-scale as well as small-scale industry players. In the event that these competitors equip themselves with, among other things, industry knowledge, technical know-how, equipments and facilities, product design capability, manpower, capital resources or business relationship with end-users of atmospheric pollution control solutions that are comparable to or even better than those of our Group, we may not be able to maintain our competitive edges and our business, financial condition, results of operations and future prospects may be adversely affected.

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Failure to maintain an effective quality control system on our product quality may materially and adversely affect our business

Our Directors believe that the quality of our products and services is critical to our success. Therefore, we have established and maintained stringent quality assurance standards and inspection procedures, including inspections at various stages of our in-house manufacturing process together with quality control on raw materials and components purchased from suppliers. The effectiveness of our quality control system depends on various factors, such as system design, implementation of quality standards, quality of training programme, our ability to ensure that our employees adhere to our quality control policies, and our ability to exercise proper supervision and management over the entire quality control system. Any failure on the maintenance of an effective quality control system may result in the manufacturing of defective products that will possibly expose us to warranty claims or product liability and consequently hamper our relationships with existing customers, thereby adversely affecting our results of operation and future prospects.

We may be subject to product liability exposure which could harm our reputation and materially and adversely affect our business, financial condition and results of operations

Potential product liability claims can be filed if the atmospheric pollution control systems that we provide for our projects fail to perform as expected, or are proven to be defective, or if their use causes, results in, or is alleged to have caused or resulted in personal injuries, project delays or damages or other adverse effects. Any product liability claim, whether relating to personal injuries or project delays or damages, or related regulatory actions could prove costly and time-consuming to defend and could potentially harm our reputation. If successful, product liability claims may require us to pay substantial damages which may not be sufficiently covered by the claims that we are entitled to against the suppliers, if any. We did not experience any significant product liability claims during the Track Record Period, and currently do not maintain product liability insurance to cover potential product liability arising from the use of products that we provide for our projects. We may be unable to obtain sufficient product liability insurance coverage on commercially reasonable terms, or at all.

Moreover, a material design, manufacturing or quality related failure or defect in the atmospheric pollution control systems that we provide for our projects, or other safety issues could each warrant a request for repair or replacement which may result in increased product liability claims. During the Track Record Period, we have not experienced any material request for repair or replacement that adversely impact our reputation, business operations and financial condition. If the local authorities decide that the products, equipment or machinery provided by us fail to conform to applicable quality and safety requirements and standards, we could be subject to regulatory actions. Violation of local laws and regulations relating to product quality and safety may subject us to fines, penalties and prohibition to market or trade. In case of defects, we may be required to repair or replace the defective products, equipment or machinery and effect any modification to render them safe before they can be employed in a project, which may also lead to significant expenses. Criminal liability can be triggered by violations of the general obligation to offer safe products, or can arise from significant damages caused to the users of any defective products.

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We are subject to risks associated with volatility in the prices of raw materials, parts and components

Our cost of sales primarily consists of cost of raw materials, which include steel. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the cost of our raw materials represented approximately 81.3%, 79.7%, 69.6% and 74.1% of our cost of sales, respectively. Our operations depend on our ability to obtain sufficient raw materials, parts and components for our atmospheric pollution control systems, such as steel sheets, steel structural components, filter bags, electrical instruments and other component parts, from suppliers at commercially acceptable prices and quality in a timely manner. Shortages in the supply of raw materials, parts and components, whether by specific vendors or by the atmospheric pollution control industry generally, may result in industry-wide price adjustments and delivery delays. Therefore, there is a risk that we may not be able to obtain adequate supplies of raw materials and/or parts and components in a timely manner or at a reasonable cost.

We are exposed to the market risk of price fluctuations for the raw materials, parts and components for our atmospheric pollution control systems. The prices and availability of such products may vary significantly from period to period due to factors such as consumer demand, production capacity, market conditions and costs of materials. Increases in prices or unavailability or interruption in the supply of any of these essential materials or parts and components could materially and adversely affect our business. Furthermore, our suppliers may delay their delivery of the raw materials, parts and components that we purchase, or we may need to reject their delivery if the materials do not meet our specifications, which may lead to delays in our project schedule or additional costs to acquire sufficient quantities of these materials to maintain our production schedules and commitments to customers. We may also be subject to warranty claims as a result of defective parts and components provided by our suppliers. Our revenue and earnings could decline if we are unable to obtain adequate supplies of the necessary materials in a timely manner or if there are significant increases in the costs of materials that we cannot pass on to our customers.

We generally do not maintain long-term contract with our suppliers. Instead, we typically enter into purchase agreements, or place orders, with our supplier on a project basis in accordance with the requirements and specifications of individual projects. Therefore, we are exposed to the risk of substantial price fluctuations of such items. Moreover, we are sometimes required to work with suppliers who are designated by our customers, which may limit our ability to manage the suppliers. As such, we cannot assure you that we will be able to continue to obtain adequate raw materials, parts and components on commercially acceptable terms, in a timely manner, or at all. Furthermore, costs of raw materials, parts and components may increase in the future and we may not be able to pass on these increased cost to our customers. Any failure to obtain adequate raw materials, parts and components for our atmospheric pollution control systems, or to do so on commercially acceptable terms, could materially and adversely affect our business, financial condition and results of operations.

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We lease a significant portion of the properties that are important to our business from our Controlling Shareholder

As at the Latest Practicable Date, our major production facilities were located in Zhuji City in Zhejiang Province, with a total gross floor area of approximately 68,500 sq.m., among which production facilities with a total gross floor area of approximately 46,700 sq.m. were located at properties we leased from TGL, our Controlling Shareholder, for a term of three years commencing on 1 January 2015. In addition, we also leased two other premises with a total gross floor area of approximately 27,700 sq.m. from TGL and its subsidiary, respectively, each of which for a term of three years commencing on 1 January 2015. Pursuant to the two leases, we have been granted the right of renewal of the lease and an option to purchase the premises. Notwithstanding the above, if our Controlling Shareholder or its subsidiary becomes unwilling to continue leasing such properties to us and if we are unable to lease other similar properties under similar commercial terms, our business operations may be materially and adversely affected. For further details, please refer to the section headed “Connected Transactions — Non-exempt Continuing Connected Transactions” in this prospectus.

We may not be able to distribute dividends to our Shareholders

During the Track Record Period, we declared cash dividends of RMB204,000, nil, RMB50 million and nil for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. Such dividends were fully paid as at the Latest Practicable Date by our internal resources.

Our ability to pay dividends will depend on our ability to generate sufficient earnings. Distribution of dividends shall be formulated by our Board at their discretion and will be subject to shareholder’s approval at the Shareholders meeting. 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, operating and capital expenditure requirements, cash flows and financial conditions, distributable profits as determined under PRC GAAP or HKFRSs (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, general economic considerations, contractual limits and obligations, our strategic plans and prospects for business development, payment of any dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors taken into consideration by our Board from time to time to be relevant to the declaration, suspension or variation of dividend payments.

In addition, under PRC laws and articles of association of our PRC subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under the PRC GAAP less any recovery of accumulated losses and required allocations to statutory common reserve funds and (if any) discretionary common reserve fund as approved by our Shareholders at the Shareholders’ meeting. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In general, we will not declare dividends in a year when we do not have any distributable earnings. There is no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year or at a level paid by other listed companies in the same industry as our Group. Please refer to the section headed “Financial Information — Dividend Policy” in this prospectus for details.

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We currently do not have any specific dividend policy. Accordingly, our historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared. We may not be able to record profits and have sufficient funds above our funding requirements, other obligations and business plan to declare dividends to our Shareholders as contemplated.

We are subject to extensive environmental, safety and health laws and regulations, and our compliance with these laws and regulations may be onerous and costly to us

Our business and operations are subject to numerous environmental, safety and health laws and regulations regarding production safety, fire prevention, workplace health etc. promulgated by the PRC government. In addition, it is expected that the environmental, safety and health laws and relevant regulations in the PRC will continue to evolve. Laws and regulations are increasingly stringent as a result of the increase in social awareness on workplace safety and the adoption of a rigorous approach on enforcement by the PRC government. We cannot predict the impact of regulatory developments relating to such industry regulations or environmental, health and safety laws and regulations, nor can we guarantee that the PRC government will not impose additional or stricter laws or regulations, compliance with which may cause us to incur significant costs that we may not be able to pass on, whether in part or in full, to our customers. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, or other obligations or liabilities. Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous or may require substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with compliance with these laws and regulations may therefore be substantial and may delay the schedule of, or cause interruptions to, our business and operations. Non-compliance with the relevant industry regulations or the environmental, health and safety laws and regulations applicable to our business and operations may even result in substantial penalties or fines, costs arising from remedial actions, suspension or revocation of our relevant licences or permits, termination of business contracts or suspension of our operations. Such events could impact our business, financial condition, results of operations and reputation.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Change in economic, political and regulatory condition in the PRC may have a material and adverse impact on our financial conditions and results of operations

As most of our assets and business operations are located in and more than 90% of our revenue was derived from the PRC during the Track Record Period, our business, financial condition and results of operations are, to a significant degree, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including, among others, government involvement, level of development, growth rate, and governmental control over foreign exchange. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, certain portion of assets are still owned or controlled by state-owned enterprises or the PRC government. The PRC government continues to play a significant role in regulating and supporting industrial development. It also exercises influence over the PRC's economic conditions through the allocation of resources,

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controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in the PRC and in turn, our business, financial condition and results of operations.

Moreover, the PRC government has the power to implement macroeconomic control measures affecting the PRC economy growth. The PRC government has implemented various measures in an effort to control the growth rate and structure of certain industries and limit inflation such as increasing the People's Bank of China's statutory deposit reserve ratio, which have had the effect of slowing the growth of credit availability. The various macroeconomic measures adopted by the PRC government to guide economic growth may not be effective in sustaining the current growth rate of the PRC economy. If the PRC economy experiences any decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for our customers could negatively impact their demand for our products, and our business, financial condition and results of operations could be materially and adversely affected.

Uncertainties exist with respect to the PRC legal system including the interpretation and enforcement of laws

Most of our activities are conducted in the PRC, accordingly our business operations are regulated under and can be significantly influenced by the PRC legal system. PRC laws and regulations are based on written statutes, and past court judgements are of persuasiveness and may be cited in subsequent judgements for reference only. Over the past 20 years, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing economic matters, such as in areas of foreign investment, corporate organisation and governance, commerce, trade and taxation, with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed because of the limited volume of published cases and their non-binding nature, and as a result of other factors (including the influence political considerations can have in the legal context), the implementation of PRC laws and regulations could involve a considerable degree of uncertainty. We cannot predict the future development of the PRC legal system, such as promulgation of new laws, change to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws, and the impact in terms of availability or scope of legal protections that it may have on our business operations and financial performance.

In addition, the PRC Company Law is different in certain important respects from company laws in common law jurisdictions such as Hong Kong, particularly with regard to investor protection on areas such as derivative actions by shareholders and other measures protecting minority shareholders, payment of dividends, disclosure obligations, procedures at shareholders' meetings, variation of class rights, restrictions on directors etc. Protection for investors under the PRC Company Law is increased, to a certain extent, by the introduction of the Mandatory Provisions and certain additional requirements that are imposed by the Listing Rules with a view to minimising and addressing the discrepancies between the company laws of Hong Kong and the PRC. The Mandatory Provisions and those additional requirements must be included in the articles of association of all PRC companies applying for listing in Hong Kong. Accordingly, our Articles of Association have incorporated the

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provisions under the Mandatory Provisions as well as the Listing Rules. Yet, despite the incorporation of the aforesaid provisions, there is no assurance that you will enjoy the same level of protection that you might have been entitled to as an investor in a company incorporated in certain other common-law jurisdictions.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or members of senior management, arising out of our Articles of Association or any rights or obligations conferred or imposed upon us by the PRC Company Law and related rules and regulations concerning our affairs or with respect to the transfers of our H Shares, are to be resolved through arbitration rather than by a court of law. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre in accordance with its applicable rules. Hong Kong arbitral awards can generally be enforced in Hong Kong. Hong Kong arbitration awards may be recognised and enforced by PRC courts, subject to the satisfaction of certain conditions. However, to our knowledge, no action has been brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award made in favour of the holders of H Shares, and we cannot assure you that such an action would succeed. For these reasons, the legal protections available to you as a holder of our H Shares may be limited.

You may experience difficulties in effecting service of legal process or enforcing foreign judgements or arbitral awards in the PRC against us and our management

We are a joint stock company incorporated under the laws of the PRC, and substantially all of our assets and subsidiaries are located in the PRC. In addition, the majority of our Directors, Supervisors and members of our senior management reside within the PRC, and the assets of such individuals may be located within the PRC. As such, investors may encounter difficulties in effecting service of process from outside the PRC upon and/or enforcing foreign judgements or arbitral awards against us or such individuals within the territory of the PRC.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan or most other western countries, and therefore enforcement of foreign judgement in the PRC involves considerable uncertainty. On 14 July 2006, Hong Kong and the PRC entered into the “Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters Pursuant to Choice of Court Agreements Between Parties Concerned”. Under this arrangement, where any designated People’s Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People’s Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain.

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In addition, although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and Takeovers Code but must rely on the Stock Exchange or the SFC to enforce its rules. Furthermore, the Listing Rules and the Takeovers Code do not have the force of law.

If we are unable to offset increased labour costs, our business, financial condition and results of operations could be materially and adversely affected

Currently, most of our employees are located in the PRC. The average wages paid for manufacturing labour in the PRC have increased recently and may continue to increase as a result of macroeconomic and other policies of the PRC government. If we are unable to offset the increase in our labour costs or pass along these increased labour costs to our customers, our business, financial condition and results of operations could be materially and adversely affected.

On 29 June 2007, the PRC government promulgated a new labour law, namely the Labour Contract Law of the PRC (《勞動合同法》), or the Labour Contract Law, which became effective on 1 January 2008 as amended on 28 December 2012. The Labour Contract Law imposes stricter requirements in terms of signing labour contracts, paying remuneration, stipulating probation and penalties and dissolving labour contracts. It also requires the terms of employment contracts to be placed in writing within one month of the commencement of an employment relationship, which may make hiring temporary workers more difficult. These enacted labour laws and regulations impose greater liabilities on employers and may significantly increase the costs to an employer if it decides to reduce its workforce. In the event we decide to significantly change or decrease the workforce of our Group, the Labour Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, which may materially and adversely affect our financial condition and results of operations.

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares

Under current PRC tax laws, regulations and rules, foreign individuals and foreign enterprises that are not PRC residents are subject to different tax obligations with respect to the dividends paid by us or the gains realised upon the sale or other disposition of H Shares.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the SAT on 28 June 2011, we are required to withhold taxes from dividend payments to non-PRC resident individual holders of H Shares at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders of H Shares who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us.

RISK FACTORS

Under the PRC EIT Law and its implementation rules, for foreign enterprises that do not have offices or establishments in the PRC, or have offices or establishments in the PRC to which their income is not related, dividends paid by us and the gains realised by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC corporate income tax at a rate of 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence. In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Corporate Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》國稅函[2008]897號), which became effective on 6 November 2008, 10% withholding tax shall be imposed on dividends paid by Chinese resident enterprises to holders of H Shares that are overseas non-resident enterprises. These holders of H Shares may apply for tax refunds in accordance with applicable tax treaties or arrangements, if any. In addition, the PRC tax laws, rules and regulations may also change from time to time. If the tax rates stipulated in the EIT Law and the related implementation rules are amended, the value of your investment in our H Shares could be materially and adversely affected.

In addition, it is also unclear whether and how the PRC individual income tax and corporate income tax on gains realised by non-resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future, although such tax has not been collected by the PRC tax authorities in practice. Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sale or transfers of the H Shares. For additional information, please refer to the section headed "Appendix IV — Taxation and Foreign Exchange" in this prospectus.

We may face foreign exchange and currency conversion risks, and fluctuation in the currency exchange rate of RMB may materially and adversely affect our business

Operating revenues and expenses of our Group have been and are expected to continue to be primarily denominated in RMB and our Group is exposed to the risks associated with the fluctuation in the currency exchange rate of RMB. Should RMB appreciate against other currencies, the value of the proceeds from the Global Offering and any future financings, which are to be converted from HK Dollar or other currencies into RMB, would be reduced and might accordingly hinder the business development of our Group on account of the lesser amount of funds raised. On the other hand, in the event of the devaluation of RMB, the dividend payments of our Company, which are in HK Dollars after the conversion of the distributable profit denominated in RMB, would be reduced. Furthermore, the devaluation of RMB would also likely increase our costs on importation from overseas of tools, accessories or equipments necessary for the maintenance and enhancement of our operations. As such, substantial fluctuation in the currency exchange rate of RMB may have a material adverse effect on our business, results of operation as well as financial position and the value of your investment under the Global Offering.

RISK FACTORS

Restricted convertibility of RMB under the PRC government's regime on foreign exchange control may affect our results of operations and financial condition

RMB is not freely convertible into any foreign currencies, and the conversion of RMB into and remittance of foreign currencies are subject to stringent control of the PRC government under the prevailing foreign exchange laws and regulations which would affect exchange rates and our foreign exchange transactions. It cannot be guaranteed 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, for instance, distribution of profits and payment of dividends to foreign investors) do not require submission of the documentary evidence of such transactions to SAFE for approval in advance as long as the same are conducted at designated foreign exchange banks within the PRC that are granted the licences 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 on the condition that certain procedural requirements are complied with. However, our foreign exchange transactions under the capital account (including, for instance, direct investment, loan and investment securities) must still require prior approval or registration by the SAFE.

There can be no assurance that the prevailing policies regarding foreign exchange transactions under the current account and the capital account will continue to be implemented in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an adverse impact on our foreign exchange transactions as well as the fulfilment of our other foreign exchange requirements. In case of any changes in the foreign exchange policies regarding the conversion of RMB into foreign currencies for, amongst others, the payment of dividends to shareholders and settlement of any debt or costs that may be incurred by us, or should we fail to obtain approval from the SAFE on RMB conversion to facilitate other foreign exchange transactions, our capital expenditure plans, and even our business, financial condition and results of operation may be adversely affected.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics in the PRC may have an adverse effect on our business, financial condition and results of operations

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, may restrict business activities in the areas affected and adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters like earthquakes, flood and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC government in response to such disasters and epidemics, will not seriously disrupt our operations or those of our customers, which may have an adverse effect on our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING AND THE H SHARES

There has been no prior public market for our H Shares; the liquidity and market price of our H Shares may be volatile, and the Offer Price may not be indicative of prices that will prevail in the trading market

Prior to the Global Offering, there has been no public market for the H Shares. The Offer Price was the result of negotiations between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters). Investors should not view the Offer Price as any indication of the price of the H Shares that will prevail in the trading market following the Global Offering, where the market price for the H Shares may fall below the Offer Price. In addition, notwithstanding that application has been made for the listing of, and permission to deal in, the H Shares on the Stock Exchange, this does not guarantee that an active and liquid trading market for the H Shares will develop and will be sustained or that the market price of the H Shares will not decline following the Global Offering or in the future.

Furthermore, the price and trading volume of the H Shares may be volatile. The following factors may affect the volume and price at which the H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earning estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on the outstanding H Shares or sales or perceived sales of additional H Shares by us or our Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of the H Shares.

RISK FACTORS

The sale of H Shares in public market (including any future offering) may affect the prevailing market price of the H Shares and our future ability to raise capital

The sale of substantial amounts of H Shares or other securities related thereto in the public market, or the issuance of new H Shares or other securities, or the market anticipation that such sales or issuances may occur, may cause fluctuations in the market price of the H Shares. Future sales, or perceived sales, of substantial amounts of the H Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us. Further, if we issue additional securities in future offerings, no matter it is for financing expansion of or new developments relating to our operations, the shareholdings of the Shareholders may be diluted. If additional funds are raised through the issuance of new equity or equity-linked securities of us other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

Our Controlling Shareholders have substantial control over us, and their interests may not be aligned with the interests of our other Shareholders

Upon completion of the Global Offering, our Controlling Shareholders will directly or indirectly own an aggregate of approximately 69.96% of the total issued share capital of our Company assuming no exercise of the Over-allotment Option. Subject to our Articles of Association and applicable laws and regulations, our Controlling Shareholders will, through their representatives on our Board, be able to influence our major policy decisions, as well as business decisions, and other actions that require the approval of our Directors and Shareholders. Accordingly, subject to applicable laws and regulations, our Controlling Shareholders are in a position to direct us to take actions which may not be in the best interest of our minority Shareholders. Please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus for further details. It is possible that differences in opinion may arise between our Controlling Shareholders and any of the minority Shareholders from time to time. We cannot guarantee that our Controlling Shareholders will influence our Company to pursue actions that are in the best interest of the minority Shareholders.

Any possible conversion of our Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares

Subject to the approval of the CSRC, all of our Domestic Shares may be converted into H Shares in the future, and such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares any requisite internal approval by Shareholders in a general meeting shall have been duly obtained and the approval from relevant PRC regulatory authorities shall have been obtained. 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 obtaining the requisite approval, our Domestic Shares may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

RISK FACTORS

Investors should not place undue reliance on statistics derived from various official or other sources that are contained in this prospectus

Certain statistical data and other information in this prospectus that do not relate directly to our operations, including those relating to the PRC, its economy and the environmental protection industry, has been derived from various official and other government sources and a commissioned market research report. Whilst our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in the extraction, reproduction and presentation of the same in this prospectus, neither our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any other parties involved in the Global Offering has independently verified such information, and it may be inaccurate, incomplete or out-of-date. We make no representation as to the accuracy or completeness of such information and there is no assurance that such information contained in this prospectus is prepared to the standard or level of accuracy comparable to, or in accordance with a similar set of research and processing procedures as, information compiled in other publications within or outside the PRC. Accordingly, the industry information and statistics contained herein may not be accurate or complete, and should not be unduly relied upon for prospective investors' investment in our Company.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering, which may not be consistent with the information contained herein

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. We have not authorised the disclosure of any information in the press or media. We do not accept any 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 that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “estimate”, “plan”, “consider”, “would”, “may”, “ought to”, “should” or “will”. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties, and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard include, but are not limited to, those identified in this “Risk Factors” section, many of which are not within our control. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans and objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions which would constitute non-exempt continuing connected transactions of our Company under the Listing Rules after the Listing. The transactions under respective agreements are subject to reporting, annual review, announcement and/or circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and our Company has applied for waivers from compliance with the applicable requirements under Rule 14A.105 of the Listing Rules. Our Company has received from the Stock Exchange a waiver from strict compliance with the announcement requirements set out in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver are set out in the section headed "Connected transactions" in this prospectus.

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, an applicant applying for a listing on the Stock Exchange must have sufficient management presence in Hong Kong, and this normally means that at least two of its executive directors must ordinarily reside in Hong Kong. Our operations are principally based in the PRC and our Group's head office situates in and substantially all of the Directors currently reside in the PRC. We do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. As a result, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules, on the following conditions to ensure that regular and effective communication is maintained between the Stock Exchange and us:

- 1. Authorised Representatives:** We have appointed Mr. Bian Yu (our executive Director) and Mr. Lau Hon Kee (our joint company secretary) as our authorised representatives (the "Authorised Representatives") for the purpose of Rule 3.05 of the Listing Rules. They will act as our principal channel of communication with the Stock Exchange. Although Mr. Bian Yu resides in the PRC, he possesses valid travel documents to visit Hong Kong and is able to renew such travel documents when they expire. The Authorised Representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by the Stock Exchange, and will be available to meet with the Stock Exchange to discuss any matters within a reasonably short period of time.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

2. **Directors:** When the Stock Exchange wishes to contact the Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all the Directors (including our independent non-executive Directors) promptly at all times. We will implement the following measures: (a) each Director must provide his/her mobile number, office number, e-mail address and facsimile number to the Authorised Representatives, and (b) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorised Representatives.

We have provided the mobile number, office number, e-mail address and facsimile number of each Director to the Stock Exchange.

We have one independent non-executive Director (namely Ms. Tam Hon Shan Celia) who is ordinarily resident in Hong Kong and will act as additional channel of communication between the Stock Exchange and us.

Each of the Directors who does not ordinarily reside in Hong Kong possesses valid travel document and can apply for visa to visit Hong Kong within a reasonably short period of time. Accordingly, each of the Directors will be able to meet with the Stock Exchange within a reasonable period of time.

3. **Compliance Advisor:** We have appointed China Everbright Capital Limited as our compliance advisor (the “Compliance Advisor”) in compliance with Rule 3A.19 of the Listing Rules, who will act as our additional channel of communication with the Stock Exchange during the period from the Listing Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after Listing. The Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as our principal channel of communication with the Stock Exchange when the Authorised Representatives are not available. We have provided the Stock Exchange with the names, home and office telephone numbers, facsimile numbers and e-mail addresses of at least two of the Compliance Advisor’s officers who will act as the Compliance Advisor’s contact persons between the Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

Pursuant to Rule 19A.05(2) of the Listing Rules, we shall ensure that the Compliance Advisor retained by us will have access at all times to our Authorised Representatives, Directors and other officers. We shall also procure that such persons will provide promptly such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor’s duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. We shall ensure that there are adequate and efficient means of communication between our Company, our Authorised Representatives, Directors and other officers and the Compliance Advisor, and will keep the Compliance Advisor informed of all communications and dealings between us and the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Shen Qiong as our joint company secretary. She joined our Group on 1 September 2014 and acts as our legal officer from 1 September 2014, and has approximately 8 years of experience in legal matters in relation to business operation. For details of Ms. Shen Qiong, please refer to the section headed "Directors, Supervisors and Senior Management — Joint Company Secretaries" in this prospectus. Ms. Shen Qiong, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Ms. Shen Qiong will endeavour to attend relevant training courses to enable her to acquire a good understanding of the relevant Hong Kong laws and regulations, including briefing

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organised by our Company's Hong Kong legal advisors on an invitation basis and seminars organised by the Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

- we have appointed Mr. Lau Hon Kee, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Ms. Shen Qiong in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Ms. Shen Qiong to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary; and
- upon expiry of the three-year period, the qualifications and experience of Ms. Shen Qiong will be re-evaluated. Ms. Shen Qiong is expected to demonstrate to the Stock Exchange's satisfaction that she, having had the benefit of Mr. Lau Hon Kee's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules. If such requirements cannot be satisfied, we will employ a suitable candidate who will be able to comply with the requirements under Rule 8.17 of the Listing Rules as secretary of our Company.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon expiry of the initial three-year period, the qualifications of Ms. Shen Qiong will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Ms. Shen Qiong has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

CSRC has given its approval for the making of an application by us to list the H Shares on the Stock Exchange and the Global Offering on 1 April 2015. In granting such approval, CSRC accepts no responsibility for our financial soundness nor the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

As advised by our PRC Legal Advisers, our Company had obtained all necessary approvals and authorisation in the PRC in relation to the Listing.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offer. The listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and the International Placing is expected to be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement and are subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriter) on the Price Determination Date. If our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Thursday, 8 October 2015, the Global Offering will not become unconditional and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our Company's or their respective directors, agents, employees or advisors or any other parties involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his/her/its subscription for the Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares, or the distribution of this prospectus or the Application Forms in other jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or any exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering and upon the exercise of the Over-allotment Option.

No part of the Shares or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the H Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, agents or advisers or any other persons involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, the H Shares or exercising their rights thereunder.

H SHARE REGISTER AND STAMP DUTY

All H Shares issued pursuant to applications made in the Hong Kong Public Offer and the International Placing will be registered on the H Share register of members of our Company to be maintained in Hong Kong in order to enable them to be traded on the Stock Exchange. Our principal register of members will be maintained by us at our legal address and headquarters in the PRC. Dealings in the H Shares registered in our H Share register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Please refer to the section headed “Appendix IV — Taxation and Foreign Exchange” in this prospectus for further details.

Unless determined otherwise by us, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders listed on our H Share register in Hong Kong, by ordinary post, at the Shareholder’s risk, to the registered address of each Shareholder.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the H Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisors for details of those settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers to such H Share Registrar a signed form in respect of such H Shares bearing statements to the effect that the holder of the H Shares:

- agrees with us and each of the Shareholders, and we agree with each of the Shareholders, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of the Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive. Please refer to the sections headed “Appendix V — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions” and “Appendix VI — Summary of Articles of Association” in this prospectus;
- agrees with us and each of the Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his/her behalf with each of our Directors, Supervisors, managers and officers whereby each such Director, Supervisor, manager and officer undertakes to observe and comply with his/her obligation to the Shareholders as stipulated in our Articles of Association.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the sections headed “Underwriting” and “Structure of the Global Offering” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

COMMENCEMENT OF DEALING IN THE H SHARES

Dealing in the H Shares on the Stock Exchange is expected to commence on Monday, 12 October 2015. H Shares will be traded in board lot of 200 H Shares each.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed therein are due to rounding.

MARKET SHARE DATA

The statistical and market share information contained in this prospectus has been derived from official government publications, market data providers and other independent third party sources. We believe that sources of the information are appropriate sources for such information and have reproduced the data and statistics extracted from such official government publications and other sources in a reasonably cautious manner. We have no reasons to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information, unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. You should not unduly rely on such information.

EXCHANGE RATE CONVERSION

Solely for your convenience and information only, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at specified rate. Unless otherwise stated, RMB amounts have been translated into Hong Kong dollars at the rate of RMB0.8 to HK\$1.0. No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all on the date or dates in question or any other date.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
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Executive Directors

Mr. BIAN Yu (邊宇)	Room 201, Unit 2, Block 8 Shanshui Hua Garden 5 Fuxing Road Jiyang Street Zhuji City Shaoxing City, Zhejiang Province The PRC	Chinese
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Mr. BIAN Weican (邊偉燦)	Flat 2-203, Block 47, Ba Yi Xin Cun Garden Ba Yi Road Ba Yi Community Jiyang Street Zhuji City Shaoxing City, Zhejiang Province The PRC	Chinese
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Non-executive Directors

Mr. BIAN Jianguang (邊建光)	No. 1037, Xinle Village Pai Tou Town Zhuji City Shaoxing City, Zhejiang Province The PRC	Chinese
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Mr. ZHANG Yuanyuan (章袁遠)	Block 59, Tian Yuan Garden 88 Fuxing Road Jiyang Street Zhuji City Shaoxing City, Zhejiang Province The PRC	Chinese
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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. DANG Xiaoqing (黨小慶)	Room 2903, No. 44 13 Yan Ta Road Zhong Duan Bei Lin District Xian, Shan Xi Province The PRC	Chinese
Mr. ZHANG Bing (張炳)	Flat 303, Unit 2, Block 1 168 Xianlin Avenue Qixia District Nanjing City Jiangsu Province The PRC	Chinese
Ms. TAM Hon Shan Celia (譚漢珊)	Flat B2, 11/F, Block 1 Universal Towers 18-26 Kin Wah Street North Point Hong Kong	Chinese
SUPERVISORS		
Ms. BIAN Shu (邊姝)	Block 59, Tian Yuan Garden 88 Fuxing Road Jiyang Street Zhuji City Shaoxing City, Zhejiang Province The PRC	Chinese
Mr. FU Jun (傅均)	Flat 302, Unit 1 No. 104, Zhao Hui Qi District Tang Nan District Zhao Hui Street Xia Cheng District Hangzhou, Zhejiang Province The PRC	Chinese
Mr. FANG Zhiguo (方治國)	Room 401, Unit 1, Block 5 Sang Da Apartment Xia Sha Gao Jiao District Hangzhou, Zhejiang Province The PRC	Chinese

Please refer to the section headed “Directors, Supervisors and Senior Management” in this prospectus for further information.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

China Everbright Capital Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Sole Global Coordinator

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)

Joint Bookrunners

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Convoy Investment Services Limited
24C, @CONVOY
169 Electric Road
North Point, Hong Kong

Joint Lead Managers

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Convoy Investment Services Limited
24C, @CONVOY
169 Electric Road
North Point, Hong Kong

BMI Securities Limited
Suites 909-16, 9/F
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company	<i>As to Hong Kong Law:</i> Li & Partners 22nd Floor World-Wide House 19 Des Voeux Road Central Hong Kong <i>As to PRC law:</i> Zhejiang Confuway Law Firm Room 506 Red Stone Central Plaza No. 225 Chaowang Road Hangzhou Zhejiang China
Legal adviser to the Sole Sponsor and Underwriters	<i>As to Hong Kong Law:</i> Sidley Austin 39/F Two Int'l Finance Centre Central Hong Kong <i>As to PRC law:</i> Jingtian & Gongcheng Suite 1202-1204 K. Wah Centre 1010 Huai Hai Road (M) Xu Hui District Shanghai 200031 China
Auditors and reporting accountants	Ernst & Young Certified Public Accountants 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited 16/F, Jardine House 1 Connaught Place Central Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Compliance adviser

China Everbright Capital Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Receiving Banker

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street
Central
Hong Kong

CORPORATE INFORMATION

Headquarters and registered office in the PRC	Yangfu Village, Paitou Town, Zhuji City, Zhejiang Province The PRC
Principal place of business in Hong Kong	22/F, World-Wide House 19 Des Voeux Road Central Hong Kong
Company's website	www.tengy.com <i>(Note: contents in this website do not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Lau Hon Kee (CPA (Aust.), FCPA) Flat 4, 31/F, Choi On House Yue On Court Ap Lei Chau Hong Kong Ms. Shen Qiong Room 302, Unit 1 Block 14, Zhu Luo No. 2 Village Nan Men District Jiyang Street Zhuji City Shaoxing City, Zhejiang Province The PRC
Authorised representatives	Mr. Bian Yu Room 201, Unit 2, Block 8 Shanshui Hua Garden 5 Fuxing Road Jiyang Street Zhuji City Shaoxing City, Zhejiang Province The PRC Mr. Lau Hon Kee Flat 4, 31/F, Choi On House Yue On Court Ap Lei Chau Hong Kong

CORPORATE INFORMATION

Audit committee	Ms. Tam Hon Shan Celia (Chairman) Mr. Dang Xiaoqing Mr. Zhang Bing
Remuneration committee	Mr. Dang Xiaoqing (Chairman) Mr. Zhang Bing Mr. Zhang Yuanyuan
Nomination committee	Mr. Bian Yu (Chairman) Ms. Tam Hon Shan Celia Mr. Zhang Bing
H Share registrar	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China Zhuji branch 102 Jiyang Road Zhuji City Zhejiang Province The PRC Shanghai Pudong Development Bank Shaoxing Branch 238 Renmin Xi Road Shaoxing City Zhejiang Province The PRC China Merchants Bank Hangzhou Branch Hushu Sub-branch 260 Hu Shu Nan Road Gongshu District Hangzhou City Zhejiang Province The PRC China Zheshang Bank Co., Ltd. Zhuji Branch 38 Jiangdong Road Zhuji City Zhejiang Province The PRC

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from Yubo, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.

We have no reasons to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official government and non-official sources, it has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Listing and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon.

YUBO REPORT

We commissioned Yubo, an Independent Third Party, to prepare the Yubo Report titled “Market Research Report of Environmental Protection Equipment Industry in the PRC from 2008 to 2018” (中國環保裝備行業細分市場及標桿企業深度研究報告2008-2018年) at a combined fee of RMB88,000. The Yubo Report includes market information such as production value, production volume, sales value, sales volume, market share of leading players, and the outlook of the industry in the PRC, which have been quoted in this prospectus.

Yubo, previously known as ZhongAn, was established in 2007 which provides research and consultancy services. Its headquarters are located in Beijing and it has branches in Xiamen and Hong Kong. Since its establishment, Yubo has been engaged as the industry consultant by numerous companies for their IPO projects in Hong Kong and China.

Yubo’s independent analysis was undertaken through primary and secondary research obtained from various sources. Primary research includes discussions on, and interviews with leading industry participants and industry experts. Secondary research involves gathering, refining, analysing and confirming information from multiple and relevant published data sources. Projected market size by production value, production volume, sales value and sales volume was obtained based on a comprehensive and in-depth review over the historical market development, and cross check with established government or industry figures or trade interviews, where possible. Yubo is not an official government source for such information, but the Sole Sponsor and the Directors have exercised reasonable care in reproducing such information and have no reasonable grounds to believe that any such information being included in this prospectus is untrue.

Our Directors confirm that after taking reasonable care, as at the date of this prospectus, there has been no material adverse change in the market information since the issue date of the Yubo Report which may qualify, contradict or have an impact on the information in this section.

INDUSTRY OVERVIEW

OVERVIEW

We derive most of our revenue from the sale of mega-sized industrial precipitators, which are emission-control units designed to trap and remove particulate matters from the exhaust gas stream of an industrial process. Precipitators are commonly used in coal-fired power plants and many other industries.

The majority of the PRC's electricity generation has been coal based, representing approximately 76.5% of the total electricity generation in the PRC in 2014. The major pollutants produced during the coal burning process are particulate matter (including dust and soot), sulfur dioxide, nitrogen oxide and etc. Enormous volume of coal burning during the generation of coal-driven electricity has become the leading cause of massive atmospheric pollutions in the PRC. Currently, 90% of sulfur dioxide emissions and 70% of the soot emissions come from coal burning in the PRC.

To tackle the worsening air pollution problems, the PRC government continues to strengthen its efforts in environmental protection by implementing more stringent environmental protection policies. To comply with such increasingly stringent environmental protection regulations, together with the organic growth of coal-fired power generation, it has prompted the sustainable development of atmospheric pollution control industry in the PRC.

ENERGY CONSUMPTION IN THE PRC

The PRC is one of the fastest growing economies worldwide and is also the second largest economy in the world. Between 2009 to 2014, the PRC experienced growth in GDP at CAGR of 8.5%. According to the 12th Five-Year Plan, between 2011 and 2015, the PRC government expects to achieve an average annual GDP growth of 7%.

In line with the growth of the PRC economy, save for 2014, energy consumption in the PRC has also increased rapidly, primarily driven by rapid industrialisation and urbanisation and also by rising residential power demand as the PRC's per capita income has increased. The following table sets forth a comparison of the PRC's real GDP growth rate and the growth of electricity generation:

**Real GDP Growth Rate and Electricity Generation Growth Rate
in the PRC (2009 to 2014)**

Year	Real GDP Growth Rate Over Preceding Year (%)	Electricity Generation Growth Rate Over Preceding Year (%)
2009	9.2	7.2
2010	10.4	13.3
2011	9.3	12.0
2012	7.7	4.8
2013	7.7	8.3
2014	7.4	-7.0

Source: Yubo Report

INDUSTRY OVERVIEW

However, the PRC's per capital electricity generation volume is still significantly lower than those of developed countries, suggesting that demand for electricity will continue to increase. The following table sets forth electricity generation volumes for selected countries on a per capita basis.

**Electricity Generation Volume and Per Capita Electricity Generation
(Selected Countries for 2014)**

Country	Electricity Generation Volume (Billion kWh)	Per Capita Electricity Generation Volume (kWh)
United States	4,589.1	13,379
Japan	1,396.8	9,640
United Kingdom	425.2	6,283
China (Jan - Nov, 2014)	4,974.6	3,930

Source: Yubo Report

ENERGY DEVELOPMENT PLAN IN THE PRC

As a result of the PRC's energy structure, the majority of the PRC's electricity generation has been coal based, representing approximately 76.5% of the total electricity generation in the PRC in 2014. In 2014, the PRC is the world's biggest coal consumer, consuming a coal level of 1.9 billion tonnes, representing 50.4% total world's consumption.

Coal is the major source of electricity production in China. According to the Yubo Report, the structure of China's power industry is expected to remain unchanged for a long time. The enormous volume of coal burning during the generation of coal-driven electricity has become the leading cause of massive atmospheric pollution in China. Currently, 90% of sulfur dioxide emissions and 70% of the soot emissions come from coal burning in China.

Although the PRC government is promoting the use of cleaner energy source and target to reduce coal consumption, the coal-fired power generation will continue to play a critically important role in the PRC energy sector. The relatively low generation cost of coal-fired power and the tremendous demand for energy in the PRC necessitates the growth of coal-fired plants in the foreseeable future. The following table below sets out the annual incremental and cumulative installed capacity of coal-fired power plants in the PRC between 2011 and 2015, which is the 12th Five-Year Plan period:

	2011	2012	2013	2014	2015E
Annual Installed Capacity (million kW)	588.6	506.5	365.0	471.7	497.5
Cumulative Installed Capacity (million kW)	7,752.3	8,258.8	8,623.8	9,095.5	9,593.0
Cumulative Capacity Growth Rate (%)	8.2	6.5	4.4	5.5	5.5

INDUSTRY OVERVIEW

According to the 12th Five-Year Plan, the cumulative installed capacity of coal-fired power plants is expected to increase from 7,752.3 million kW in 2011 to 9,593.0 million kW in 2015, representing a CAGR of 5.5%.

ENVIRONMENTAL ISSUES LINKED WITH COAL-FIRED POWER GENERATION

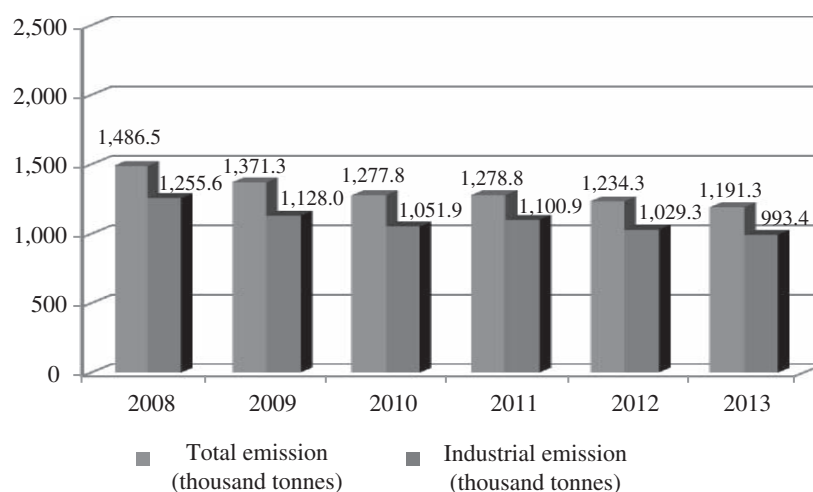
(a) Source of atmospheric pollution

Atmospheric pollution arises when pollutants are introduced into the atmosphere, directly or indirectly, at a faster pace than the atmosphere could purify such that the concentration of atmospheric pollutant exceed the healthy standards, possibly adversely affecting the health, survival or activities of many organisms, including humans. The pollutants are introduced into the atmosphere by two main sources: natural sources or anthropogenic sources by humans, which is the main source of atmospheric pollution. Urbanisation and human activity within an urban system produces many destructive and irreversible effects on natural environments such as climate change, air pollution, sediment and soil erosion, increased flooding magnitude, and loss of habitat. The major pollutants produced during the coal burning process are particulate matter (including dust and soot), sulfur dioxide, nitrogen oxide and etc.

1. Particulate matter

Particulate matter, also known as PM, is a complex mixture of extremely small particles and liquid droplets. In 2013, an annual emission of 1.19 million tonnes of particulate matter was released into the air in China, among which 83.4% come from industrial production activities including electricity generation.

Overall and industrial emission of particulate matter in China during 2008 to 2013



Source: Yubo Report and the Ministry of Environmental Protection of the People's Republic of China

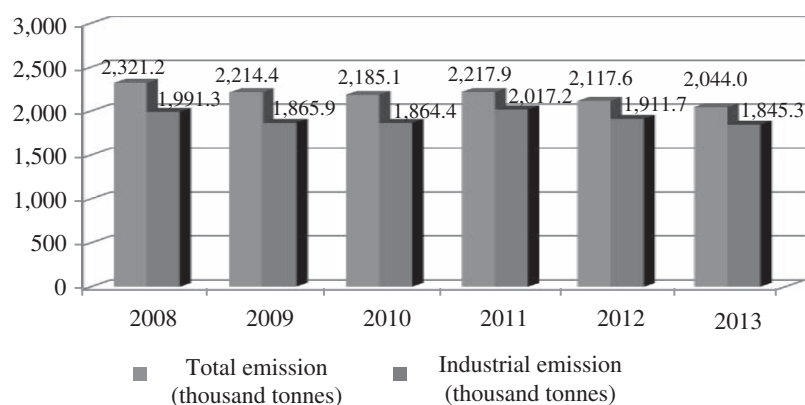
Note: As at the Latest Practicable Date, the statistics of overall and industrial emission of particulate matter in China 2014 were not available.

INDUSTRY OVERVIEW

2. Sulfur Dioxide (SO₂)

SO₂ is a corrosive and highly reactive gas. In 2013, an annual emission of 2.04 million tonnes of SO₂ were released into the air in China, among which 90.3% was contributed by industrial production activities.

Overall and industrial emission of sulfur dioxide in China during 2008 to 2013



Source: Yubo Report and the Ministry of Environmental Protection of the People's Republic of China

Note: As at the Latest Practicable Date, the statistics of overall and industrial emission of sulfur dioxide in China 2014 were not available.

(b) Health and environmental impacts of major pollutants

Atmospheric pollutants are significant risk factors for a range of health and environmental problems. The table below listed the common pollutants and their effect on health and environment:

Pollutants	Health impact	Environmental impact
PM	Particulate matter that is small enough can enter the lungs and cause health problems, including more frequent asthma attacks, chronic respiratory problems, and premature death.	It is the main cause of haze, which reduces visibility in parts of China.
SO ₂	SO ₂ reacts with other compounds in the atmosphere to form small particles, which then penetrate deeply into sensitive parts of the lungs and can cause or worsen respiratory disease, such as emphysema and bronchitis, and can aggravate existing heart disease, leading to increased hospital admissions and premature death.	It also causes acid rain, which damages crops, forests, and soils and acidifies lakes and streams and ultimately affecting the diversity of ecosystems.

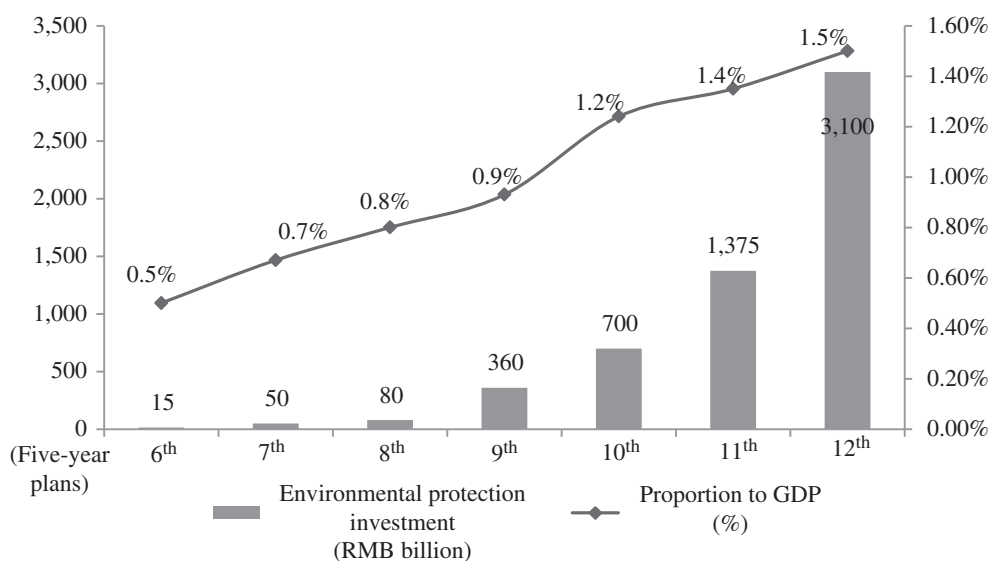
INDUSTRY OVERVIEW

ENVIRONMENTAL PROTECTION POLICIES AND EMISSION TARGETS IN THE PRC

The PRC government has become increasingly concerned about environmental issues such as air pollution. In 2008, the Energy Conservation Law became effective and since then the PRC government has promulgated various laws and regulations to control emissions pollutants through (i) encouraging the use and the development of environmental control equipment and (ii) tightening of emission standards.

The Chinese Government regularly issues five-year plans of social and economic development initiatives. According to the 12th Five-year plan, the PRC government listed environmental protection and energy conservation as a strategic emergent industry and a pillar of the national economy. The investment on environmental protection increased more than double to RMB3.1 trillion in the 12th five-year plan from RMB1.4 trillion in the 11th five-year plan.

Environmental protection investment and proportion to GDP during the series of five-year plan in the PRC



Source: Yubo; China National Bureau of Statistics; China Association of Environmental Protection Industry

INDUSTRY OVERVIEW

In 2011, the Ministry of Environmental Protection and General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) issued the revised *Emission Standard of Air Pollutants for Thermal Power Plants* (《火電廠大氣污染物排放標準》) (the “Revised Emission Standards”), which became effective on 1 January 2012 (for new power plants) and 1 July 2014 (for existing power plants). The Revised Emission Standards impose a national requirement on coal-fired power plants, with a stricter set of environmental protection standards. Under the national requirement, soot emissions are restricted to 30 mg/Nm³ generally and 20 mg/Nm³ applicable to key areas (including Beijing, Tianjin, the Yangtze River Delta, Pearl River Delta region, as well as central Liaoning, Shandong and other 21 regions), nitrogen oxide emissions are restricted to 100 mg/Nm³ and SO₂ emissions are restricted to 100 mg/Nm³ (for new power plants) and 200 mg/Nm³ (for existing power plants). All new and renovation projects are required to pass environmental assessments by relevant government departments, which required the installation of atmospheric pollution control equipments. It is, hence, expected that all new and upgraded power plants are equipped with precipitators.

The emission targets have been increasingly stringent since 1989. The introduction of PM standards in 1996 and 2012 also reflects the PRC government’s determination towards clean air quality.

The new emission standards became immediately effective to new power plants. However, time is needed in gradually upgrading existing power plants in order for them to meet the stringent emission standards. In September 2013, the central government increased subsidies to promote conformation to stringent emission standards in China by granting (i) rebate of RMB0.2 cents per kW/h of power generated to reward de-dusting efforts; (ii) rebate of RMB1.5 cents per kW/h of power generated to reward desulfurisation efforts and (iii) rebate of RMB1.0 cents per kW/h of power generated to reward denitrification efforts. The central government intends to decrease respirable particulate matter concentration by at least 10% against 2012.

In February 2014, as an effort to further strengthen the implementation of air pollution control measures in key air pollution areas, the central government announced that a special air pollution fund of RMB10 billion would be set aside in 2014 to reward enterprises which clean up their emissions as an incentive to encourage enterprises to upgrade or replace old precipitators.

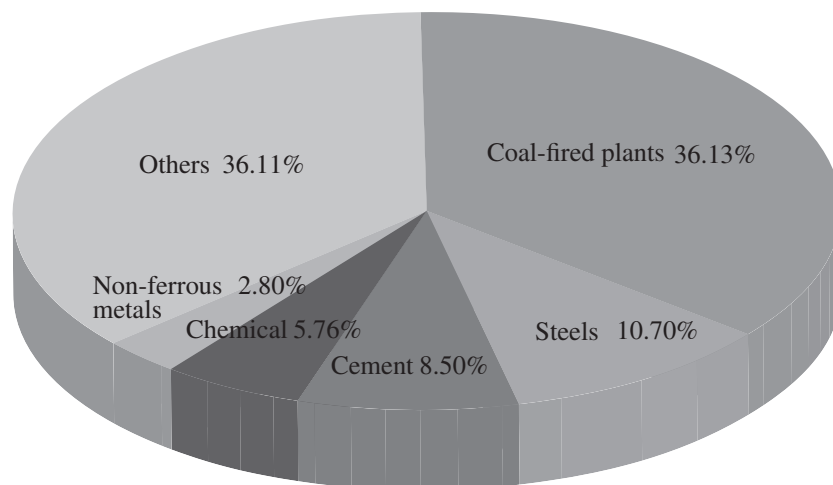
As pollution within the PRC continues to be one of the PRC government’s primary concerns, emissions reductions and related technologies is and is expected to continue to be, one of the primary development areas in the PRC power generation industry. As such, government policies and the regulation in the industry together with the additions of coal-fired power plants will be key drivers for growth in the environmental protection and energy conservation sector, with substantial increases expected in the market for atmospheric pollution control facilities between 2011 and 2015.

INDUSTRY OVERVIEW

ATMOSPHERIC POLLUTION CONTROL INDUSTRY IN THE PRC

The increasingly more stringent environmental protection policies has prompted the rapid development of environmental protection industry, particularly the development of atmospheric pollution control facilities operation and maintenance services industry. Precipitator is a popular air-cleaning device in the PRC by removing and collecting particulates. Most popular types of precipitators in the PRC are electrostatic precipitators and bag filter precipitators. Precipitators are used in a wide variety of industrial applications, among which, coal-fired power industry is the main downstream application in China. In 2014, the sales of precipitators to China's coal-fired power industry reached RMB13.3 billion, accounting for 36.1% of the overall market demand, followed by the steel industry with a market demand of RMB3.9 billion, accounting for 10.7% of the overall market demand. The cement industry ranked third with the sales of precipitators to the cement industry reaching RMB3.1 billion, accounting for 8.5% of the overall market demand in China.

Applications of overall precipitators by industry in the PRC in 2014



Source: Yubo Report, China Environmental Protection Industry Association Precipitator Committee

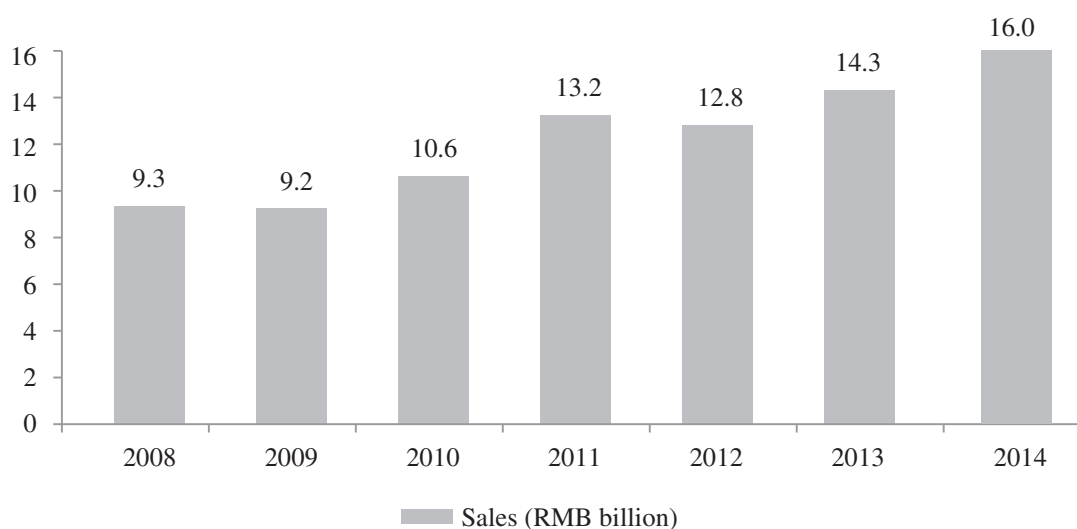
INDUSTRY OVERVIEW

(a) Major category of precipitators

1. Electrostatic precipitator

Electrostatic precipitator is one of the major air pollution control equipment. Electrostatic precipitator is a device for removing small particles, as of soot, dust, or oil out of flowing gas or air released from industrial and commercial processes (by charging the particles with an electric field). The charged particles would then be attracted to highly charged collector plates. Due to its high removal efficiency, low resistance, low energy consumption, high-temperature tolerance, durability, ease of maintenance, safety, reliable, low long-term operating costs, and the absence of secondary pollution, electrostatic precipitator has been a major atmospheric pollution control equipment in the PRC. The sales of electrostatic precipitator has increased from RMB9.3 billion in 2008 to RMB16.0 billion in 2014, representing a CAGR of 9.5%. Set forth below is the total sales of electrostatic precipitator during 2008 to 2014.

Sales of electrostatic precipitator during 2008 to 2014



Source: Yubo Report and China Environmental Protection Industry Association Precipitator Committee

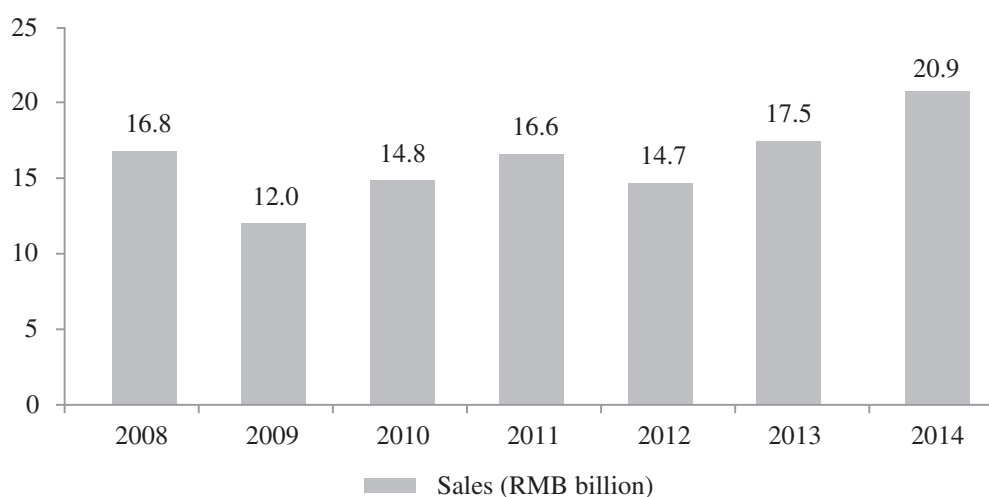
According to the China Environmental Protection Industry Association Precipitator Committee (the “Committee”), during the 12th Five Year Plan period, the capacity of newly constructed coal-fired electricity generation plants exceeded 260 million kW in 2012. The Committee expected that by 2015, the capacity of the plants will reach 920 million kW. The increase in electricity demand will be beneficial to the growth of precipitators, particularly the electrostatic precipitators because 75% of the total sales of electrostatic precipitators are made to the coal-fired power industry in China in 2014 according to the Yubo Report.

INDUSTRY OVERVIEW

2. Bag filter precipitator

Due to its high efficiency, bag filter precipitators have been widely used in the fields of cement, iron and steel, nonferrous metals, chemicals and other industries. Bag filter precipitators and electrostatic precipitators are both the mainstream precipitators in the PRC. Set forth below is the total sales of bag filter precipitators during 2008 to 2014.

Sales of bag filter precipitator during 2008 to 2014



Source: Yubo Report, China Environmental Protection Industry Association Precipitator Committee

According to the Committee, the sales of bag filter precipitator decreased from RMB16.8 billion in 2008 to RMB12.0 billion in 2009 and further increased to RMB20.9 billion in 2014. The development of bag filter precipitators are closely related to the production of steel and cement. As the applications of bag filter precipitators widens in a variety of industries such as metallurgy, nonferrous metals, construction materials and chemical, the China Environmental Protection Industry Association expects that by the end of the 12th Five Year Period, the sales of bag filter precipitators will reach RMB25.0 billion in 2015.

(b) Comparison of the precipitators

Technically, both electrostatic precipitators and bag filter precipitators are similarly efficient in soot removal. The factor in considering which type of precipitator to use is the cycle of investment cost. Electrostatic precipitators are characterised by large initial investment and low long-term operating cost. Therefore, electrostatic precipitators are more cost effective for large-scale and long term industry such as the coal-fired power industry. Generally, the major driver for bag filter precipitators is the low initial investment, thereby more beneficial for a wider range of industries such as steels, cement industries. However, since the bag filters in bag filter precipitators have to be replaced on a regular basis, operating costs in the long run are larger.

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Electrostatic-bag composite precipitator is a newly developed particulate matter control technology which combines electrostatic precipitator with bag filter precipitator. Since 2000, research has been launched on electrostatic-bag composite precipitator in China. Despite its short history, the electrostatic-bag composite is gaining popularity in China. Several major enterprises in the industry are able to manufacture electrostatic-bag composite precipitator according to the needs of the customers. With the improvement of environmental protection requirements on new equipment and renovation projects, the market share is expected to be enhanced.

(c) Growth drivers of the environmental control equipment industry in the PRC

Strong support from the national policy

Improving air quality has been the Chinese government top priorities. In May 2010, the Ministry of Environmental Protection, the National Development and Reform Commission, Ministry of Science, the Ministry of Industry & Information Technology, altogether nine ministries jointly issued the “Guidelines on promoting prevention and control of air pollution to improve regional air quality”, which identified six major polluting industries, including the power, iron and steel, nonferrous metals, petrochemicals and cement. These industries are required to adopt highly-effective atmospheric pollution control technology.

In 2011, the State Council promulgated the “12th five-year plan for National Environmental Protection” which pointed out that by 2015, the total SO₂ emissions and other emissions shall decrease by 8% than 2010. The plan also vigorously promote ash removal, desulfurisation and denitrification, removal of nitrogen and phosphorus, removal of heavy metals. In June 2012, the State Council further proposed to accelerate the application of advanced ash removal technology and fine ash control technology.

National Development and Reform Commission in 2013 issued a notice that since 25 September 2013, coal-fired power generation enterprises with soot emission lower than 30mg/Nm³ (or 20mg/Nm³ in key regions) will receive RMB0.2 cent per kWh compensation. It is expected that at least 85% of the coal-fired power plants are not able to meet the national emission standards. The introduction of the compensation scheme will serve as an impetus to encourage the installation and upgrading of power plants with precipitators. Therefore, exponential growth is expected in the atmospheric pollution control equipment industry in the coming years.

Stringent national emission reduction targets

In order to achieve targets as set out in the government five-year plan, emission standards for pollutants such as soot, SO₂, nitrogen oxides and mercury contaminants have been tightened. For details of the emission standards, please refer to the paragraph headed “Environmental Protection Policies and Emission Targets in the PRC” above. It is expected that with these new emission standards, original power plants and production facilities will need to be upgraded and equipped with necessary environmental control equipment. The government targeted the efficiency of ash removal denitrification and desulfurisation to reach 75% in its 12th five year plan.

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Rapid development of the industry and cost reduction

The rapid development of efficient electrostatic precipitator prompted the expansion and widening of the application fields of electrostatic precipitator. With the established track record and experience, major components can now be automatically produced in large-scale, thereby significantly lowering production costs of electrostatic precipitator equipment.

Demand from foreign countries

With the increasing cost of labour in developed countries, the manufacturing of environmental control equipment has been shifting to the PRC and other developing countries with lower labour costs. Due to the strong support from both upstream and downstream industries and a higher level of production technology, the PRC has become the world's major country in the production of atmospheric pollution control equipment, thereby further strengthening the market size of the environmental control equipment industry in the PRC.

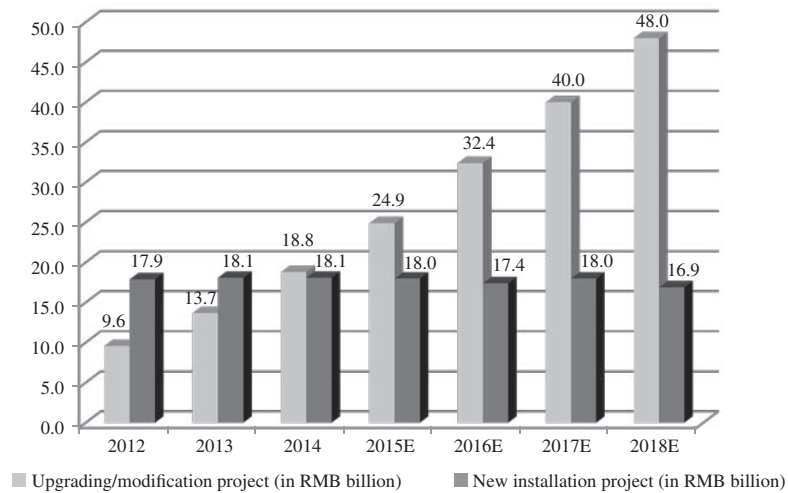
Analysis on the market size of the total sales of precipitators of the new installation projects and upgrading/modification projects in the PRC

When preparing its report, Yubo referred to various sources, including independent interviews, relevant research reports and Yubo's own research information. In particular, the projection of the market size of the total sales of precipitators of new installations projects and upgrading/modification projects in the PRC was estimated based on: (a) interviews and relevant research reports from industry experts; and (b) data obtained from the key market players in the industry and the relevant industry association. Yubo has adopted the following basis and assumptions in preparing total market size of the total sales of precipitators of the new installation projects and upgrading/modification projects in the PRC are: (i) the global and PRC economy is expected to maintain a steady growth from 2015 to 2020, (ii) the global and PRC social, economic and political environment is expected to remain stable from 2015 to 2020, and (iii) there will be no catastrophic events that will result in dramatic or fundamental impact on the global and PRC atmospheric pollution control industry.

According to Yubo report, it is estimated that the market size of the total sales of precipitators for the upgrading/modification projects will show an increasing trend primarily due to the increasingly stringent emission standards to be adopted by the PRC government in the future, whereas despite also being benefited from the tightening of emission standard, the market size of the new installation projects is expected to remain stable in the near future as the PRC government is promoting the use of cleaner energy source which may offset the increase in demand for new installation project.

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Sales of precipitators for the new installation projects and upgrading/modification projects in the PRC

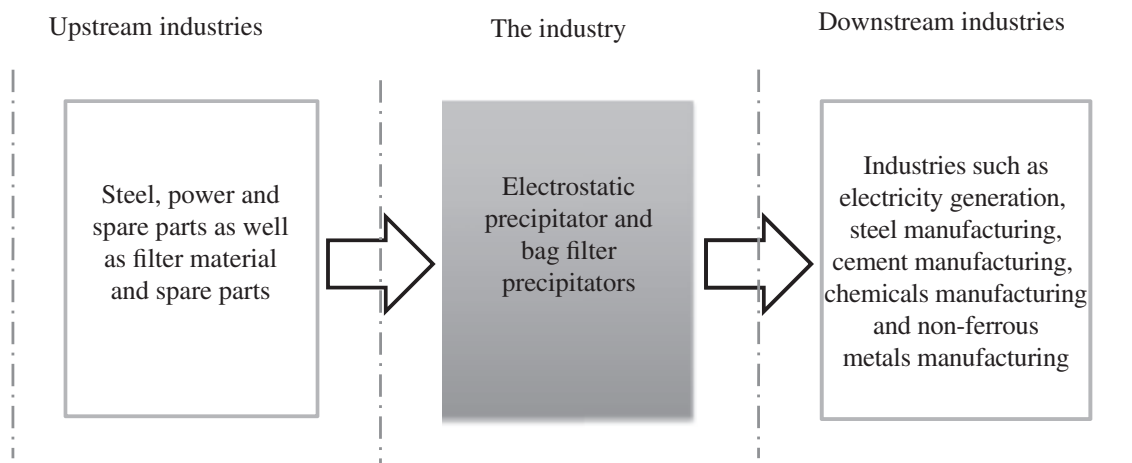


Source: Yubo Report

Analysis on the Industry Chain of the Atmospheric Pollution Control Equipment Industry

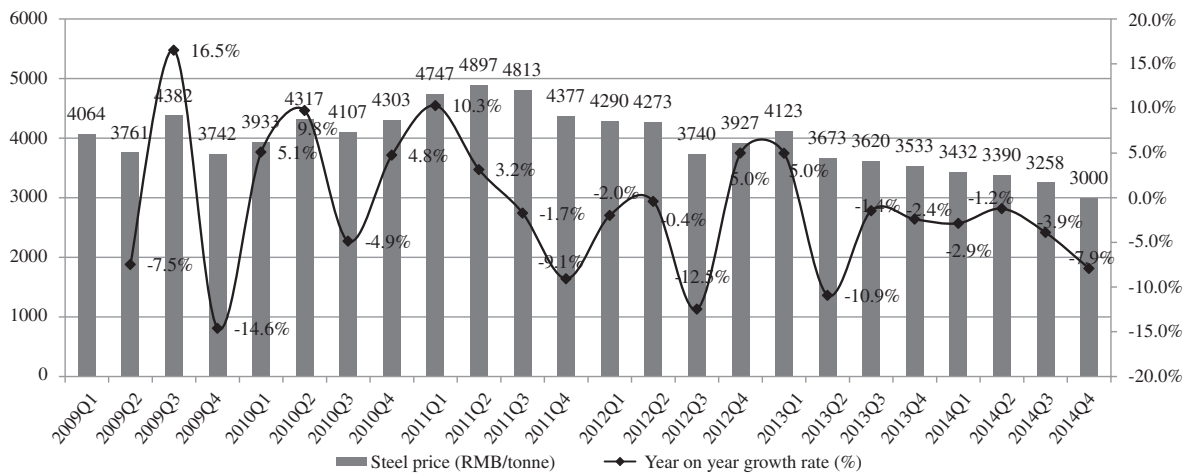
The upstream industries of the atmospheric pollution control equipment industry include production and manufacturing industries such as steel, power and spare parts as well as filter material and spare parts, and the downstream industries include end-users in industries such as electricity generation, steel manufacturing, cement manufacturing, chemicals manufacturing and non-ferrous metals manufacturing. The price fluctuation in the major raw material such as steel, power and spare parts as well as filter material and spare parts would directly affect the production cost of atmospheric pollution control equipment, and the development of the industries such as electricity, steel, cement, chemicals and non-ferrous metals would play a decisive role in the future demand for precipitators.

The Structure of Industry Chain of the Atmospheric Pollution Control Equipment Industry



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Average steel price in the PRC from quarter to quarter during 2009 to 2014¹



Source: china-g.com(中國鋼材網) · Yubo Report

¹ represented by the quotation for Shanghai 4.75mm hot rolled coil Q235 type steel

Power, filter material and relevant spare parts industries in the PRC are industries with intensive competition and sufficient supplies, so their prices are quite stable.

The downstream industries are mainly electricity generation, steel manufacturing, cement manufacturing and etc. The industry is a public welfare industry, so changes in its demands primarily depend on national environmental policies and corporates' environmental awareness. Large scale investments in infrastructure construction in the PRC drive the expansion of production capacity in down stream industries, which further increase the demands to treat flue gas pollution, while the drive from corresponding national environmental policies and more rigorous emission reduction standard of atmosphere pollution for downstream industries will further promote the development of the industry. Technological advancement and innovation of upstream industries can promote the improvement in product function and service level of the industry, which in turn provide more sophisticated products and services to downstream industries.

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COMPETITIVE LANDSCAPE

(a) Leading manufacturers and exporters in the PRC

The following table sets forth the PRC's leading manufacturers of precipitators in 2014 by total sales amount and their respective percentages of the PRC's total sales of precipitators in 2014.

Ranking	Name of enterprise	Sales in RMB millions	Percentage (%)
1	福建龍淨環保股份有限公司 (Fujian Longking Co., Ltd.) (stock code: 600388)	3,054.0	19.1
2	浙江菲達環保科技股份有限公司 (Zhejiang Feida Environmental Science & Technology Co., Ltd.) (stock code: 600526)	1,822.0	11.4
3	Our Company	692.1	4.3
4	蘭州電力修造廠 (Lanzhou Electric Power Equipment Manufacturer)	412.0	2.6
	Total of top 4 leading companies	<u>5,980.1</u>	<u>37.4</u>

Source: Yubo Report

The following table sets forth the PRC's leading exporters of precipitators in 2014 by total direct export sales amount and their respective percentages of the PRC's total direct export sales of precipitators in 2014.

Ranking	Name of enterprise	Sales in RMB millions	Percentage (%)
1	福建龍淨環保股份有限公司 (Fujian Longking Co., Ltd.) (stock code: 600388)	354.0	16.4
2	浙江菲達環保科技股份有限公司 (Zhejiang Feida Environmental Science & Technology Co., Ltd.) (stock code: 600526)	212.0	9.8
3	河南中材環保有限公司 (Sinoma (Henan) Environmental Protection Co., Ltd)	45.0	2.1
4	Our Company	27.0	1.4
	Total of top 4 leading companies	<u>638.0</u>	<u>29.7</u>

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According to the Yubo Report, the current precipitator industry is rather fragmented with approximately 200 enterprises specialising in the manufacture of precipitator in 2014. Top four leading manufacturers in the industry only represented less than 40% of the total market share, which is demonstrated in the table above.

According to Yubo, the leading companies have particular competitive advantage in the power sector. It is because basically only the top four leading companies have the qualification and strength to tender for projects with single power generation unit of 1,000 MW or above.

(b) Entry barriers to the atmospheric pollution control equipment industry

Project experience and technical requirements

Atmospheric pollution control equipment is required to run at high temperature, high pressure, high concentrations of corrosive fumes and other harsh conditions. Therefore, in order to develop precipitators that are suitable for use in a wide variety of industries, manufacturers must be equipped with practical experience and technical expertise to deal with the high standards required in the design, technology, quality, reliability, stability, security, and other aspects. Other than the technical personnel, the management personnel are equally important, especially in the contract innovative projects, to understand customer needs and propose innovative and effective solutions. The industry must constantly promote performance, technology innovation to improve products and production processes in order to gain competitive advantage and profit margins.

Non-standardised manufacturing process

Atmospheric pollution control equipment including precipitators are non-standardised equipment. They are manufactured based on specific characteristics of pollutants generated in different industries under different conditions with different requirements in the structural design and component layout by applying appropriate technology.

Capital requirements

Atmospheric pollution control equipment is a capital-intensive industry. Manufacturers are required to invest heavily in (i) research and development; (ii) the introduction of professional technology and equipment; (iii) the purchase of a large number of advanced specialised production equipment; (iv) professional testing equipment and analytical instruments; (v) trained and experienced professional; and (vi) technical personnel in order to undertake projects.

Qualifications credentials

China's Ministry of Environmental Protection, Ministry of Housing and Urban-Rural Development and the China Environmental Protection Industry Association have implemented more stringent access and qualification approval system for environmental protection industries and enterprises. License control management approach and classification standards have been laid out to control the qualifications of manufacturers and operators. Criteria for granting approval include goodwill, technological specifications and equipment, and levels of management capacity of a company.

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Our business is extensively regulated by the PRC policies, relevant laws, regulations and industry specifications. These rules are mainly related to environmental protection industry, qualification licensing for construction business, bidding, quality control of construction projects and products, work safety and labour protection, employment and social security, intellectual property rights, foreign trade import and export of goods, foreign currency exchange and taxation. In addition, the national Five-year Plan and current PRC laws and regulations offer supportive taxation treatments and export incentives to our operations and business.

This section sets forth the key points of the aforementioned PRC laws and regulations, as well as the summaries of other rules relevant to our Group and the Global Offering.

Policies on Environmental Protection Industry

On 16 June 2012, the State Council of the PRC (中華人民共和國國務院) issued the 12th Five-year Plan for the Energy Conservation and Environmental Protection Industries (“十二五”節能環保產業發展規劃) (the “Plan”), which is targeted on increasing industry scale, updating technical equipment and enlarging the market share of environmental protection products and services. In the view of the Plan, devices and services provided to, inter alia, desulfurization, denitration, and dust wiping that our business mainly engages in are rated as prioritised domain.

For the purpose of developing environmental protection industry, the Plan adopts a series of preferential policies, such as fiscal and taxation incentives, import and export treatments, investment and financing channels including public offering for environmental protection and energy conservation enterprises.

Meanwhile, the Plan clarifies that departments of the State Council and local government authorities are responsible for promulgating implementing regulations according to their duties and jurisdiction, and the National Development and Reform Committee of the PRC (中華人民共和國國家發展和改革委員會), as well as the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) (hereinafter referred to as “MEP”), is the coordinator and supervisor for the implementation of the Plan.

On 26 May 2014, the General Office of the State Council of the PRC (中華人民共和國國務院辦公廳) issued the Action Plan for Energy Saving, Emission Reduction and Low Carbon Development 2014-2015 (2014-2015年節能減排低碳發展行動方案) (the “Action Plan”). The Action Plan provides detailed targets for energy saving, emission reduction and carbon reduction and specifies the tasks of air pollutants emission reduction in 2014 to 2015. The Action Plan requires the acceleration of construction of energy saving, emission reduction and lowering carbon emission projects. The Action Plan further requires, among others, to upgrade denitrification facilities for coal-fired units with a total capacity of 300 million KW and to increase capacities for SO₂ and NO_x emission reduction by 2.3 million tonnes and 2.6 million tonnes, respectively, by the end of 2015.

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In September 2014, the National Development and Reform Commission of the PRC (hereinafter referred to as the “NDRC”), the National Energy Administration (國家能源局) and MEP jointly issued Action Plan of Coal Power Energy Saving Upgrade and Reconstruction (2014-2020) (煤電節能減排升級改造行動計劃 (2014-2020)) (the “Action Plan of Coal Power”). The Action Plan of Coal Power aims to promote the revolution of energy production and consumption and further raise the level of efficient and clean development of coal power. The Action Plan of Coal Power requires all new coal-fired units to be equipped with desulfurization, denitrification and ash removal devices and not to set bypass channel for smoke. Meanwhile, it requires the current coal-fired units to be updated in order to reach the air pollutants emission standards.

On 12 November 2014, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Strengthening Environmental Supervision and Law Enforcement (國務院辦公廳關於加強環境監管執法的通知), which made notices relating to relevant requirements on further strengthening the environmental supervision and law enforcement.

On 27 December 2014, the General Office of the State Council promulgated Opinions on Promoting the Third-party Treatment of Environmental Pollution (國務院辦公廳關於推行環境污染第三方治理的意見), which gives opinions on the third-party treatment of the environmental pollution from six aspects including overall requirements, promotion of the marketization of the investment operation of the environmental public facilities, innovation of the third-party treatment mechanism, perfection of the third-party treatment market, strengthening of the guidance and support by the policies and strengthening of the organization and implementation.

Laws and Regulations on Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) which was adopted on 26 December 1989 and revised on 24 April 2014 by the Standing Committee of the National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) and came into effect on 1 January 2015, MEP is authorised to stipulate the national standards for environmental quality and monitor the environmental protection scheme of the PRC, and local environmental protection agencies may stipulate stricter local standards in which case the concerned enterprises must observe. In the event of non-compliance, MEP and the local environmental protection agencies have the power to impose penalties on such enterprises.

The Environment Protection Law of the People’s Republic of China (hereinafter referred to as “New Environmental Protection Law”) which came into effect on 1 January 2015 has strengthened the enterprises’ responsibilities for prevention of the environmental pollution, increased the punishment on the enterprises in violation of environmental protection laws, established the state’s policies for encouraging the development of environmental industry and supporting the enterprises to actively take the environmental protection measures and established the public interest litigation system for the environment.

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Regarding the strengthening of the enterprises' responsibilities for the prevention of the environmental pollution, New Environmental Protection Laws has expanded the scopes of the projects which are required to be assessed relating to its environmental impact and clarified the legal consequences; require the enterprises to establish responsible system for environmental protection; carry out control system for the total discharge amount of the key pollutant; establish pollutant discharge permit system; require the enterprises to make contingent plan for environmental emergencies and establish the system for the disclosure of environmental information.

Regarding the strengthening of the punishment on the enterprises in violation of the environmental protection laws, it is stipulated in the New Environmental Protection Laws that the competent environmental department is empowered to order the enterprises which causes serious pollution to suspend its operation or close down, seal up and seize the pollution facilities, introduce the system of "penalty on daily basis" and no-ceiling penalty for illegal pollution discharge, establish black list system for pollution enterprises, impose administrative detention on the responsible person of the enterprise which is in violation of the environmental protection laws.

Regarding the establishment of the public interest litigation system, the scope of the subjects, the damage compensation liabilities and the limitation of actions are explicitly stipulated in the New Environmental Protection Law.

On 15 December 2014, the Ministry of Environmental Protection adopted supporting departmental regulations including Measures for the Implementation by Competent Environmental Protection Departments of Consecutive Daily Penalties (環境保護主管部門實施按日連續處罰辦法), Measures for the Implementation of Sealing-up and Impounding by Competent Environmental Protection Departments (環境保護主管部門實施查封、扣押辦法), Measures for the Implementation by Competent Environmental Protection Departments of Limiting and Halting Production for Remediation (環境保護主管部門實施限制生產、停產整治辦法) and Measures for Disclosure of Environmental Information of Enterprise and Public Institutions (企業事業單位環境信息公開辦法) and these measures came into effect on 1 January 2015. On 15 December 2014, Measures for the Investigation and Handling of Environmental Emergencies (突發環境事件調查處理辦法) were adopted and came into effect on 1 March 2015. On 19 March 2015, the revised Catalogue for the Classified Administration of Environmental Impact Assessment for Construction Projects (建設項目環境影響評價分類管理名錄) was adopted and came into effect on 1 June 2015. On 19 March 2015, the Administrative Measures for the Contingent Responses to Environmental Emergencies (突發環境事件應急管理辦法) were adopted and came into effect on 5 June 2015. The aforesaid supporting departmental regulations have effectively ensured the implementation of various provisions in the New Environment Protection Law.

For the purpose of preventing construction projects built within the territory of PRC from generating pollution and damaging the ecological environment, the State Council promulgated and gave effect to the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) on 29 November 1998. This Regulation requires construction projects with potential environmental pollution to satisfy the national and local standards for pollutant discharge. The annexed environmental protection facilities shall, at the same time with the principal part of the construction projects, be designed, built, put into operation and be subject to examination.

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Meanwhile, the Regulation introduced an environmental impact appraisal system based on the degree of severity of a construction project impacting the environment. The environmental impact appraisal system is categorised into three tiers of reporting requirements: an environmental impact report, an environmental impact report form and an environmental impact registration form.

The Law of the PRC on Appraising of Environmental Impact (中華人民共和國環境影響評價法), which came into effect on 1 September 2003, further sets forth the aforementioned three tiers of reporting requirements. If a construction project may result in a material impact on the environment, an environmental impact report is required, which thoroughly appraises the potential environmental impact; if the construction project may result in a slight impact on the environment, an environmental impact report form of analysing or appraising the specific potential environmental impact is required; and if environment impacts may be very small so that it is not necessary to conduct an appraisal of the environmental impacts, the project owner shall fill in a registration form of the environmental impacts. The environmental impact appraisal documents of a construction project shall be approved by the relevant PRC authority before the construction commences.

Enterprises must abide by relevant environmental laws and regulations in the PRC as to their operation, which include the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法), and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法). Enterprises must register with competent environmental protection authorities for discharging pollutants, and enterprises that discharge pollutants in excess of the prescribed national or local standards must pay a fee for the excessive discharge and assume the responsibility for eliminating or controlling pollution.

According to the Measures of Administration on Environmental Protection for Acceptance Examination Upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法), which became effective on 1 February 2002 and was amended on 22 December 2010, the acceptance examination on the environmental protection of the completed construction project means that the relevant PRC governmental authority responsible for environmental protection shall examine as to whether the construction project has satisfied the requirements on environmental protection by way of, inter alia, on-spot inspection, and on the basis of supervision or research result from examination on environmental protection. The scope of acceptance examination on environmental protection covers (i) any environmental protection facilities in relation to the construction project, including the constructions, facilities, equipment, supervision measures and various ecological protection facilities for pollution prevention and environmental protection, and (ii) any other environmental protection measures provided in the environmental impact report, environmental impact report form, environmental impact registration form and relevant project design documents.

To further specify the requirements in the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution and other PRC laws and regulations on the protection of atmospheric environment, MEP and PRC General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國質量監督檢驗檢疫總局) jointly issued the revised Emission Standards of Air Pollutants for Thermal Power Plants (中華人民共和國

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火電廠大氣污染物排放標準) (GB13223-2011) (the “new Standards”) on 29 July 2011 to replace previous standards GB 13223-2003, and gave effect to it on 1 January 2012. The new Standards govern the air pollutants emissions from existing power plants located in the PRC and the environmental impact assessment, project design for environmental protection, completion examination and air emissions administration of thermal power plants construction projects. Pursuant to the new Standards, air pollutants including dust, SO₂ and NO_x emitted by thermal power plants in milligram per cubic metre shall be limited to a specific maximum amount according to different fuel and thermal power applied. In addition, air pollutants from thermal power plants located in key regions of the PRC are subject to stricter limitations that are among advanced international standards.

On 28 March 2014, the NDRC and MEP jointly issued the Measures on Green Electricity Tariff and Supervision of the Operation of Environmental Protection Facilities for Coal-fired Generating Units (燃煤發電機組環保電價及環保設施運行監管辦法) (the “Measures”). The Measures provide that coal-fired power stations should install desulfurization, denitrification and ash removal facilities according to relevant rules and regulations. The Measures further provide that the operation of environmental protection facilities should comply with the pollutants emission standards and should be assessed based on the average hourly emission concentration of each pollutant. If the average hourly emission concentration exceeds the emission limit but less than one time, the relevant green electricity tariff, which is the tariff for desulfurization, denitrification or ash removal of coal-fired power units, should be forfeited. If the average emission concentration exceeds the emission limit by more than one time, in addition to the forfeiture of the green electricity tariff, fines of an amount up to five times of the green electricity tariff for the period when the relevant emission limit is exceeded would be imposed.

On 16 May 2014, MEP and the PRC General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國質量監督檢驗檢疫總局) jointly released the new Emission Standard of Air Pollutants for Boiler (鍋爐大氣污染排放標準) (the “Standard”), which took effect on 1 July 2014. The Standard adds emission limits for nitric oxide, mercury and mercury compounds. The Standard further lowers the limit on concentration of SO₂ emitted by coal-fired plants in major areas such as Beijing, Tianjin, Hebei, Inner Mongolia and Shandong, from 200mg/Nm³ to 50mg/Nm³ or less. The desulfurization facilities for coal-fired power plants in these areas require technical improvements, which are expected to result in increases in investment and operational costs, and may bring our Group risks related to the operation of its desulfurization concession projects.

The new Emission Standard of Air Pollutants for the Cement Industry (水泥工業大氣污染物排放標準) (the “Standard of Air Pollutants”) took effect on 1 March 2014 (or will be effective from 1 July 2015 for current cement enterprises). The Standard of Air Pollutants lowers the limit on cement kilns’ NO_x emission, from 800 mg/Nm³ to 400 mg/Nm³ in non-key regions and 320 mg/Nm³ in key regions. Cement enterprises have started to prepare for NO_x emission reduction projects, which will promote the denitrification industry.

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Regulations on Qualification Licensing for Construction Business

The Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) promulgated the Provisions on the Administration of Qualifications of Enterprises in Construction Industry (建築業企業資質管理規定) on 22 January 2015, which came into effect on 1 March 2015 and repealed its predecessor of 26 June 2007. Under these provisions, construction enterprises, i.e. enterprises engaged in the building, expansion, renovation and other activities on civil engineering, construction, pipe installation and decoration projects, shall apply for a qualification certification for construction enterprises, in accordance with its registered capital, professional personnel, technical equipment and results of completed projects, upon which construction activities are permitted to be carried out. Such qualification certification is divided into three sequences: general construction contracting, specific contracting and labour sub-contracting, with each further being divided into different qualification types and grades based on the project nature and technical feature. The Ministry of Housing and Urban-Rural Development of the PRC also issued the Opinions on the Implementation of the Provisions on the Administration and standard of Qualifications of Enterprises in Construction Industry (建築業企業資質管理規定和資質標準實施意見) on 31 January 2015, which have detailed the application documents, approval process and other conditions for such qualification to be granted.

On 29 June 2000, the former State Bureau of Quality and Technical Supervision (國家質量技術監督局) promulgated the Regulations on the Quality Supervision and Safety Inspection of Special Equipment (特種設備質量監督與安全監察規定). The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (hereinafter referred to as the “AQSIQ”) (國家質量監督檢驗檢疫總局), the successor of the State Bureau of Quality and Technical Supervision, issued a Special Equipment Catalogue (特種設備目錄) and Supplemental Special Equipment Catalogue (增補特種設備目錄) respectively on 19 January 2004 and 14 January 2010 to define the scope of special equipment.

On 11 March 2003, the State Council promulgated the Regulations on Safety Supervision of Special Equipment (特種設備安全監察條例) to enhance safety examination on special equipment. Pursuant to the Regulations revised on 24 January 2009 and taking effect as of 1 May 2009, special equipment, including pressure vessel, shall be produced (including being designed, manufactured, installed, altered, maintained and repaired), operated, tested and examined in compliance with the Regulations. Entities that are engaged in the manufacture, installation and alteration of pressure vessel shall adequately be equipped with professional technical personnel, skilled workers, production conditions, testing means and sound management and duty regulations that are consistent with the need of pressure vessel manufacture, installation and alteration. Any entity that is engaged in pressure vessel manufacture, installation, and alteration without approval will be liable to a fine and even criminal penalty.

In addition, AQSIQ promulgated Supervisory Administration Regulations for Manufacture of Boiler and Pressure Vessel 《鍋爐壓力容器製造監督管理辦法》 on 12 July 2002. According to this, for the boilers & pressure vessels manufactured and/or used domestically, the manufacturer shall obtain the Boiler & Pressure Vessel Manufacture License of the PRC 《中華人民共和國鍋爐壓力容器製造許

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可證》。The pressure vessels are divided into four manufacture-licensing levels, Level A, B, C and D. The Level D manufacture license for pressure vessel is issued by provincial Bureau of Quality and Technical Supervision where the manufacturer locates. Manufacture License is valid nationwide for a period of 4 years.

Laws and Regulations on Bidding

Under the Bidding Law of the PRC (中華人民共和國招標投標法) effective on 1 January 2000 and the Regulation on the Implementation of the Bidding Law of the PRC (招標投標法實施條例), which came into effect on 1 February 2012, for construction projects such as, inter alia, large-scale infrastructures and public utilities relating to social public interests and public security, a bidding process is mandatory. The scope of such bidding process covers the survey, design, building and inspection of the proposed project, and the procurement of the important equipment, materials relating to the construction of the project.

The Regulation for Tendering Extension and Scope Standards of Engineering Construction Projects (工程建設項目招標範圍和規模標準規定) promulgated by the former State Development Planning Commission (國家發展計劃委員會) on 1 May 2000 further defines the scope of large-scale infrastructures and public utilities projects relating to social public interests and public security, where environmental protection projects are included. Meanwhile, the Regulation specifies the price thresholds of each contract where a mandatory bidding shall be carried out.

Regulations on the Quality Control of Construction Projects and Products

On 30 January 2000, the State Council promulgated the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), imposing obligations and responsibilities on construction, survey, design, building and inspection entities respectively. Construction entity shall invite tenders for the survey, design, building and inspection of, and the procurement of key equipment and materials related to, a construction project. Survey, design, building and inspection entities thereof shall obtain appropriate qualification certificates and contract to undertake the project within the scope as permitted. For a completed project to be accepted after examination and ready to use, construction entity shall make sure the project has satisfied all the requirements under the engineering design and construction contract, and has been equipped with a complete technical file and construction management documentation, an on-site test report on the key materials, components and equipment, quality documents signed by each survey, design, building and inspection entities and a warranty book signed by the building entity. Files and documents at various stages of the project shall be collected and sorted strictly in accordance with national provisions on document management, and shall be transferred in time to construction administrative agencies.

The Product Quality Law of the PRC (中華人民共和國產品質量法) was adopted by the Standing Committee of the National People's Congress on 22 February 1993, and was later amended on 8 July 2000. It is applicable to products that are processed and manufactured for the purpose of marketing, with construction materials, structural components and equipment that are used in a construction project being included while exclusive of the construction project itself. Producers and sellers, the two parties liable for product quality, shall have established their own internal regulations for the management of product quality and rigorously implemented placement-based quality regulation,

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quality liability and relevant performance assessment system. Based on international quality control standards, PRC has instituted a system to certify the quality control system of an enterprise and a system to certify the quality of a product. An enterprise may apply voluntarily for such certification with the product quality control agency under the State Council or an authorised quality certification organisation. Once qualified, the enterprise is issued with a certificate accordingly and is permitted to mark its quality certification on its products.

Laws and Regulations on Work Safety and Labour Protection

Any entity engaged in the production and operation activities within the PRC must comply with articles provided in the Production Safety Law of the PRC (中華人民共和國安全生產法), which was implemented as of 1 November 2002 and amended on 27 August 2009 and 31 August 2014. The State Administration of Work Safety (中華人民共和國國家安全生產監督管理總局) performs overall supervision and administration of work safety in the PRC, and the municipal government agency performs such duty within its jurisdiction. Pursuant to the Law, the person in charge of an entity is the one responsible for work safety arrangements, including establishing and refining safety duty system, formulating operation rules and regulations, examining safety status to eliminate potential accidents, working out emergency rescue proposal, promptly reporting accident events. The employment contracts entered into between the entity and its employees shall contain provisions on labour safety, occupational harm prevention and vocational injury insurance.

The production and business operation entities shall set up prominent safety warning marks at the production or business operation sites that have substantial dangerous elements, or do so on relevant facilities or equipment. The designing, manufacturing, installation, using, checking, maintenance, reforming and claiming uselessness of safety equipment shall be in conformity with the national standards or industrial standards. Safety facilities of newly built, rebuilt or expanded engineering projects of production and business operation entities (hereinafter referred to as “Construction Projects” as a general term) shall be designed, built and put into production and used at the same time as the principal part of the Construction Projects. The investment in safety facilities shall be included in the budgetary estimates of the Construction Projects concerned.

On 13 January 2004, the Regulation on Work Safety Licenses (中華人民共和國安全生產許可證條例) was implemented, introducing a licensing system for the administration on work safety. Under the Regulations, the enterprises engaged in a prescribed manufactory sector shall obtain a safe production certificate prior to their commencement of operation. Construction sector is included in the Regulations, and the relevant certificate is granted and administrated by provincial housing and construction authority. To obtain a safe production certificate, an enterprise must have certain conditions at place, including, inter alia, well-rounded regulations on work safety, competent input for work safety, internal safety supervision institution and full-time qualified manager in the charge, safety education and training for its staff, the payment of occupational injury insurance premium and so on.

The former Ministry of Construction respectively promulgated the Administrative Provisions on the Work Safety License of Construction Enterprises (建築施工企業安全生產許可證管理規定) on 5 July 2004 and the Opinions on the Implementation of the Administrative Provisions on the Work Safety License of Construction Enterprises (建築施工企業安全生產許可證管理規定實施意見) on 27

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August 2004. Under these provisions, construction enterprises, i.e. enterprises engaged in the building, expansion, renovation, destruction and other activities on civil engineering, construction, pipe and facility installation and decoration projects, are not permitted to commence any construction activities before being granted a Work Safety License. The conditions to obtain such work safety license include: a sound work safety responsibility system, complete safety regulations and operation rules, adequate capital input for work safety, internal safety supervision institution and full-time qualified manager, safety education and test of at least one time per year, payment of occupational injury insurance premium for the staff and payment of accidental injury insurance premium for the on-site workers engaged in dangerous operations, legally compliant safety tools, mechanical equipment, construction machines and accessories, contingency plans and rescue organisation or staff and equipment, and so on. Upon the application by a competent enterprise, provincial or higher level authority responsible for construction sector may issue a work safety license after reviewing and being satisfied with its application documents and other proof.

Laws and Regulations on Employment and Social Security

The Labour Law of the PRC (中華人民共和國勞動法) promulgated on 5 July 1994 and effective as of 1 January 1995, the Labour Contract Law of the PRC (中華人民共和國勞動合同法) promulgated on 29 June 2007 and amended on 28 December 2012 and the Implementing Rules of the PRC Labour Contract Law (中華人民共和國勞動合同法實施條例) adopted and effective as of 18 September 2008, impose requirements concerning the establishment of employment relationships between employers and employees, and the performance and termination of labour contracts entered into therein. These laws and regulations provide additional protection to employees, such as imposing written labour contracts, establishing time limits on probationary period, providing for circumstances where a severance is payable by employers to employees and a limited scope of circumstances where employees are penalised for breach of contracts, and imposing stricter sanctions on employers in the event of failure to pay social security premiums for their employees. Additionally, the latest amended Labour Contract Law which became effective on 1 July 2013 adopts a stricter system on labour dispatch to prevent irregularity and pay discrimination in employers.

The main PRC social security laws and regulations currently applicable include the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例), the Interim Measures Concerning the Maternity Insurance of Employees of An Enterprise (企業職工生育保險試行辦法), the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例), the Regulation on Occupational Injury Insurances (工傷保險條例), and provincial and municipal regulations adopted in different jurisdictions within the PRC.

Pursuant to these laws and regulations, PRC social insurance consists of funds of pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injuries insurance. Employers are responsible to contribute to the relevant social security institutions the portion of social insurance premium which is payable by the employer, and withhold and submit to the relevant social security institutions the portion of social insurance premium which is payable by the employee. If an employer fails to pay the social insurance premium or withhold the payment payable by the employee, it may be ordered by social insurance agency to make payment before a specific deadline and may be subject to a fine of 0.05% per day since the date of arrears; if the

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employer fails again to make such payment, social insurance agency may inquire with banks or other financial institutions into the employer's account and by a written notice make social insurance premium mandatorily allocated from such account upon an allocation decision made by the relevant administrative departments; if the account balance is less than the due amount of social insurance premium, social insurance agency may require the employer to provide sufficient security and to perform a deferred payment agreement; if the employer fails to provide security, social insurance agency may apply to the court for the seizure, attachment, auction of equivalent property of the employer and use the auction proceeds to offset the unpaid social insurance premium.

Housing provident fund is also a substantial part of PRC social security system. The Regulation on the Administration of Housing Provident Fund which was effective on 3 April 1999 and was latest amended 24 March 2002 provides for the long-term housing funds deposited by entities and their incumbent employees for the purpose of purchasing, constructing, renovating, repairing self-occupied house by employees. Entities shall register their housing provident fund deposits with housing fund administration centre, and open a housing provident fund deposit account with designated bank for each employee. The failure to either make registration or open account may result in an order by housing fund administration centre and a further penalty fine. The ratio of housing provident fund deposited therein shall not less than 5% of the employee's average monthly salary of the last year.

Laws and Regulations on Intellectual Property Rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including trademarks, patents and copyrights. The PRC has adhered to the main international conventions on intellectual property rights and has become a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organisation in December 2001.

Trademark

The Trademark Law of the PRC (中華人民共和國商標法), adopted in 1982 and revised respectively in 1993, 2001 and 2013, as well as its implementation rules, protects the registered trademarks. The Trademark Office of the State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局商標局) (the Trademark Office of "SAIC") is responsible for trademark registrations. Upon the registration of a trademark, the registrant will have the exclusive right to use the trademark. Any severely malicious infringement to the exclusive right to use a trademark will be subject to a punitive damages up to 1 to 3 times of the losses suffered, the illegal proceeds or the registered trademark licensing fee, or, in case of incalculability of the above, up to RMB 3 million at the court's discretion. Trademark license agreements are required to be filed with the Trademark Office of SAIC.

Patent

The National People's Congress (全國人民代表大會) adopted the Patent Law of the PRC (中華人民共和國專利法) in 1984 and amended it in 1992, 2000 and 2008, respectively. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, substances obtained by

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means of nuclear transformation or design primarily for the identification of printed pattern, colour or combination of the two. The Patent Office (專利局) under the State Intellectual Property Office (國家知識產權局) is responsible for accepting, examining and approving patent applications. The validity term is twenty years for an invention and ten years for a utility model or design, both starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use a patented product, or else an unauthorised use will constitute an infringement of the rights of the patent owner.

Laws and Regulations on Foreign Trade Import and Export of Goods

The governmental instrumentality in charge of foreign trade under the State Council is responsible for the administration of PRC's foreign trade according to the PRC law, and the PRC customs is responsible for the supervision of the transport vehicles, goods, freight items and other items entering into and departing from the PRC.

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) which was promulgated by the Standing Committee of the National People's Congress and took effect on 1 July 2004 and the Administrative Measures for the Record Filing and Registration of Foreign Trade Operators (對外貿易經營者備案登記辦法) which took effective on 1 July 2004, the foreign trade operators engaged in the import and export of goods or the import and export of technology shall register with the Ministry of Commerce of the PRC (中華人民共和國商務部) (hereinafter referred to as "MOFCOM") or its designated entities, except for those exempted from record filing and registration under PRC laws, administrative regulations and MOFCOM's rules.

The Foreign Trade Law of the PRC, the Measures for the Administration of Licenses for the Import of Goods (貨物進口許可證管理辦法) (effective on 1 January 2005) and the Administrative Measures on Goods Export Licence (貨物出口許可證管理辦法) (effective on 1 July 2008) were promulgated by MOFCOM and have imposed rules and regulations concerning the filing and registration of foreign trade operators and import and export licences. The PRC permits free import and export of goods and technology, except for those stipulated otherwise under PRC laws and administrative regulations. The PRC adopts a licensing regime for goods which are restricted for import and export.

The General Administration of Customs of the PRC (中華人民共和國海關總署) promulgated the Provisions of the Customs of the People's Republic of China on the Administration of Registration of Customs Declaration Entities (中華人民共和國海關報關單位註冊登記管理規定) on 13 March 2014, which came into effect on 13 March 2014 and repealed the Provisions of the Customs of the PRC for the Administration of Registration of Declaration Entities (中華人民共和國海關對報關單位註冊登記管理規定) of 1 June 2005. The Provisions of the Customs of the People's Republic of China on the Administration of Registration of Customs Declaration Entities sets out the requirements for the registration of customs agents in the PRC. According to it, importers and exporters of the goods to be imported or exported shall contact the local Customs Office with a view to complete registration formalities as customs clearance agents pursuant to the relevant regulations at the importing and exporting ports. After the completion of such registration, importers and exporters can complete with the customs clearance declaration for the enterprises at any port or any location with centralised customs operation in the PRC.

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Regulations on Foreign Currency Exchange

Renminbi, the only lawful currency in the PRC, is subject to foreign currency exchange controls and is not freely convertible under all transactions. The State Administration of Foreign Exchange (hereinafter referred to as “SAFE”) (國家外匯管理局) is empowered to administer all matters relating to the foreign currency exchange.

Pursuant to the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例), the principal regulation on foreign exchange in the PRC issued by the State Council on 29 January 1996 and amended in 1997 and 2008 respectively, all international payments and transfers are classified into current account items and capital account items. Renminbi is freely convertible under most of the current account items, including distribution of dividends, interest payments, trade and service-related foreign exchange transactions, on the strength of true and lawful transactions supported by valid receipts and proof of transactions. While for capital account items, such as inbound and outbound direct investments, loans, repatriation of investments and investments in securities outside the PRC, prior approval of and registration with SAFE and the relevant branches are required.

Laws and Regulations on Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was promulgated on 16 March 2007 and took effect as of 1 January 2008, PRC enterprises typically pay an enterprise income tax at the rate of 25%.

Under the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) promulgated by the State Administration of Taxation (國家稅務總局) on 6 November 2008, where a PRC resident enterprise pays dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-PRC resident enterprises, such PRC resident enterprise shall withhold the enterprise income tax thereon at a uniform rate of 10%. In the event that the jurisdiction where the overseas investor is established has a different tax arrangement with the PRC, a refund will be granted for the difference between tax paid and tax payable calculated under that arrangement.

Business Tax

The Interim Regulation of the PRC on Business Tax (中華人民共和國營業稅暫行條例), which was amended by the State Council on 10 November 2008 and took effect as of 1 January 2009 imposes a 3% business tax rate on the revenue arising from construction business.

Value Added Tax

The Interim Regulation of the PRC on Value Added Tax (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on 10 November 2008 and took effect as of 1 January 2009, imposes a value added tax rate of 17% on selling and importing goods (except for grains, edible

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vegetable oil, tap water, heating, cooling, hot water, gas, liquefied petroleum gas, natural gas, biogas, household coal products, books, newspapers, magazines, feed, fertilizers, pesticides, agricultural machinery, agricultural plastic film and otherwise defined by the State Council, which adopt a 13% value added tax rate) and machining, repairing and fitting services provided by taxpayers.

The Circular on Issuing the Measures for the Administration of Tax Refund (Exemption) of Exported Goods (Trial) (關於印發<出口貨物退(免)稅管理辦法(試行)>的通知), which was promulgated by the State Administration of Taxation on 16 March 2005 and took effect as of 1 May 2005, provides that where goods are exported by an exporter on its own or by means of entrustment, unless otherwise provided, the exporter thereof may, after declaration of goods export and conclusion of financial settlement for sales, make a report to the local tax authority for the approval on the refund or exemption of its value added tax or consumption tax. We hereby are entitled to an “exemption, set-off and refund” policy of value added tax and the refund rates are 11%-17% for our different exported goods.

The Notice on Value Added Tax and Consumption Tax Policies for Exported Goods and Labour Services (關於出口貨物勞務增值稅和消費稅政策的通知), which was promulgated by the Ministry of Finance of the PRC (中華人民共和國財政部) and the State Administration of Taxation on 25 May 2012, with part of the clauses taking effect as of 1 January 2011 and the rest coming into effect as of 1 July 2012, provides that the goods and labour services exported by export enterprises are exempted from or refunded with value added tax.

City Maintenance and Construction Tax and Educational Surcharge

The Provisional Regulations of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例), promulgated by the State Council in 1985 and amended on 8 January 2011, imposes a 5% tax rate for a taxpayer who is located in county or town area.

The Tentative Provisions on the Collection of Educational Surcharge (徵收教育費附加的暫行規定), promulgated in 1986 by the State Council and subsequently amended in 1990, 2005 and 2011, imposes an educational surcharge rate at 3%, levied on the amount of value-added tax, business tax and consumption tax actually paid by each entity or individual.

The Notice on the Relevant Matters on Unifying the Policies on Local Education Surcharges (關於統一地方教育附加政策有關問題的通知) promulgated by the Ministry of Finance on 7 November 2010 imposes a uniform 2% regional educational surcharge levied on the amount of value-added tax, business tax and consumption tax actually paid by each entity or individual of all provinces.

Property Tax

The Provisional Regulations of the People’s Republic of China on Real Estate Tax (中華人民共和國房產稅暫行條例), which was promulgated by the State Council on 15 September 1986 and amended by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations (國務院關於廢止和修改部分行政法規的決定) of 8 January 2011, imposes a 1.2% tax rate calculated on the residual value of the property, and a 12% tax rate calculated on the rental income from the property.

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Regulatory and Shareholders' approval for a proposed listing

According to provisions stated in the PRC Securities Law (中華人民共和國證券法), and the Special Regulations, when a company intends to issue, list and transact its securities on an overseas stock exchange, it shall obtain the prior approval from the securities regulatory authority of the State Council. The Guidelines for Supervising the Application Documents and Examination Procedures for Overseas Stock Issuance and Listing by Joint Stock Companies (關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引) which was promulgated on 20 December 2012 and came into effect on 1 January 2013 provides that the review and approval process for those companies applying for issuing and listing its securities overseas includes: (i) the company has to submit various required application documents to the CSRC, (ii) the CSRC will review the application documents, and decide whether to accept the application and to issue an administration permit, allowing the company to issue and list its securities overseas, according to the relevant PRC laws and regulations, (iii) upon receipt of the CSRC's acceptance of the application, the company may proceed to file its initial application for issuing and listing its securities with the relevant overseas securities regulatory authority or stock exchange, (iv) upon receipt of the administration permit from the CSRC, the company may continue the listing application process with the overseas securities regulatory authority or stock exchange, and (v) within 15 working days following the completion of the proposed issuing and listing, the company will have to submit a written report to the CSRC regarding the completion. The administration permit issued by the CSRC will be valid for 12 months.

In addition, our Articles of Association also provide that the public offering plan (including without limitation, issuing price, valuation, selection of the stock exchange and the timing of listing) shall be reviewed and approved by our Shareholders.

As advised by our PRC Legal Advisers, our Company has acquired all the necessary regulatory and internal approvals in the PRC for the Global Offering and Listing.

HISTORY AND CORPORATE STRUCTURE

OUR BUSINESS DEVELOPMENT

Our business was originated from TGL, which is currently our Controlling Shareholder and controlled by Bian Family. TGL was established in the PRC on 5 June 1995 by Mr. Bian Jianguang, his relatives, Mr. Bian Weican, Mr. Chen Jiancheng, and 28 other shareholders who were all Independent Third Parties. At the establishment of TGL, Mr. Bian Jianguang together with his relatives, Mr. Bian Weican and Mr. Chen Jiancheng held approximately 5.03%, 0.04% and 0.08% equity interests in TGL, respectively. Subsequently, TGL has been controlled by Bian Family since 2003. In 2010, with the aim to streamline the business operation and in preparation for the Listing, TGL transferred the business of provision of atmospheric pollution control solutions to our Company. Before the transfer of our business from TGL to our Group, TGL was principally engaged in the business of, among others, provision of atmospheric pollution control solutions as well as the business of manufacturing and sale of machineries and spare parts, the sale of steel, building materials and other chemical products, scrap metals recycling and the construction and operation of wind power farms.

TGL had been engaging in the business of the provision of atmospheric pollution control solutions since its inception until our Group started taking over such business in 2010. The following table sets forth major events and milestones in the development of our business:

- | | |
|------|--|
| 1997 | TGL undertook its first project of electrostatic precipitator in the ferrous metallurgical industry.

TGL successfully developed its first high temperature electrostatic precipitator for the application in the non-ferrous metallurgical industry, thereby allowing us to tap into the precipitator market of the non-ferrous metallurgical industry. |
| 1998 | TGL undertook a project to offer an electrostatic precipitator for a circulating fluidised bed boiler which was listed as an innovation fund project and was also awarded National Key New Product (國家重點新產品證書) jointly by Ministry of Science and Technology (科學技術部), State Administration of Taxation (國家稅務總局), Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部), The State Bureau of Quality and Technical Supervision (國家質量技術監督局) and The State Environmental Protection Administration (國家環境保護總局). |
| 2000 | TGL successfully developed a low temperature precipitator, which could be operated at 65 ℃, the lower-end of the operating temperature range of normal precipitators. |
| 2003 | TGL started offering desulfurisation systems for power plants. |
| 2005 | TGL first explored overseas market by offering precipitators for a power plant in Thailand. |
| 2007 | TGL successfully offered electrostatic precipitators for generating units with capacity of 1,000MW or above. According to the Yubo Report, TGL was one of a few manufacturers in the PRC which had provided electrostatic precipitators for generating units with capacity of 1,000MW or above. |

HISTORY AND CORPORATE STRUCTURE

- 2008 TGL diversified its product range of precipitators by offering electrostatic-bag composite precipitators for power plants.
- TGL further enhanced its position in overseas market by participating in a large-scale project of providing electrostatic precipitators to a power plant in India for five generating units, each with capacity of 800MW. Thereafter, we have offered precipitators to around ten countries.
- 2010 TGL transferred the business of provision of atmospheric pollution control solutions to our Company.
- 2012 We expanded the portfolio of our precipitator products by offering a new type of precipitator, namely mobile plate electrostatic precipitator.
- 2013 We diversified our range of products by offering denitrification systems, wet electrostatic precipitators and wet desulfurisation systems.
- 2014 Our efficient auxiliary electrostatic precipitator for 2x1000 MW coal-fired generator units (2x1,000MW 燃煤發電機組配套高效電除塵器) was granted Scientific and Technological Achievements Registration Certificate (科學技術成果登記證書) by Zhejiang Provincial Science Department (浙江省科技廳). As at the Latest Practicable Date, we have installed a total of 28 sets of electrostatic precipitators on 14 generating units of 1,000 MW or above.

OUR CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was established in the PRC as a joint stock limited company on 28 December 2009. After the transfer of the business of the provision of atmospheric pollution control solutions by TGL to our Company in 2010, our Company mainly engages in the business of the provision of atmospheric pollution control solutions. Our Company currently has three wholly owned subsidiaries. For details, please refer to the paragraph headed “Our subsidiaries in the PRC” of this section below. The founders of our Company are the Bian Family. The Promoters of our Company include Mr. Bian and Mr. Bian Weican, being our executive Directors, Mr. Bian Jianguang, being our non-executive Director, Ms. Bian Shu, being our Supervisor, Mr. He Jianmin, Mr. Chen Jiancheng and TGL. Our Company’s registered capital of RMB100 million had been fully paid up by way of cash, land use rights and assets by TGL and by way of cash by the other Promoters by their respective own personal financial resources.

As of the Latest Practicable Date, TGL, Mr. Bian, Mr. Bian Jianguang, Mr. He Jianmin, Mr. Bian Weican, Ms. Bian Shu and Mr. Chen Jiancheng respectively holds approximately 70%, 13.67%, 6.85%, 1.85%, 1.85%, 3.93% and 1.85% of equity interests in our Company.

HISTORY AND CORPORATE STRUCTURE

Our subsidiaries in the PRC

Tianjie Installation Engineering

Tianjie Installation Engineering was established in the PRC on 14 May 2003 as a limited liability company with a registered share capital of RMB4.5 million. At the time of its establishment, Tianjie Installation Engineering was held approximately as to 51% by TGL and approximately 49% by Tianjie General Machinery. At the time of the establishment of Tianjie Installation Engineering, Tianjie General Machinery was held as to approximately 59.4% by TGL and approximately 2.8%, 2.8%, 2.8%, 5.6%, 7%, 9.1% and 10.5% by Ms. Bian Chengxia, Mr. Bian Shuijun, Mr. Qiu Jinxin (who are Independent Third Parties), Mr. Xu Jiaju (nephew of Mr. Bian Jianguang and the cousin of Mr. Bian and Ms. Bian Shu), Ms. Xu You (the spouse of Mr. Bian Jianguang and the mother of Mr. Bian and Ms. Bian Shu), Mr. He Jianmin (the brother-in-law of Mr. Bian Jianguang's spouse and uncle of Mr. Bian and Ms. Bian Shu), and Mr. Xu Zhen (the brother-in-law of Mr. Bian Jianguang and the uncle of Mr. Bian and Ms. Bian Shu), respectively. Tianjie Installation Engineering is principally engaged in the businesses of electrical and environmental protection equipment installation services as well as environmental engineering and steel structure engineering contractor services in the PRC and commenced its business in around May 2003.

On 5 December 2010, we entered into two equity transfer agreements with TGL and Tianjie General Machinery, pursuant to which we agreed to acquire 51% equity interest from TGL and 49% equity interest from Tianjie General Machinery in Tianjie Installation Engineering for a total consideration of RMB2.295 million and RMB2.205 million respectively. The considerations for the two acquisitions were determined on the basis of the then registered share capital of Tianjie Installation Engineering. The considerations for these two acquisitions were settled on 5 December 2010 by way of cash. At the time of such acquisition, Tianjie General Machinery was held as the approximately 85% by TGL and 15% by Zhejiang Guoyuan Investment and Entrepreneurship Co., Ltd* (浙江國源創業投資有限公司), an Independent Third Party. As a result and up to the Latest Practicable Date, our Company owned 100% equity interest in Tianjie Installation Engineering.

Tianjie Electronic and Technology

Tianjie Electronic and Technology was established in the PRC on 29 June 2009 as a limited liability company with a registered share capital of RMB2 million. At the time of its establishment, Tianjie Electronic and Technology was held as to 100% by TGL. Tianjie Electronic and Technology is principally engaged in the businesses of research and development, manufacturing and sales of electrical and electronic products in the PRC and commenced its business in around June 2009.

On 5 December 2010, our Company entered into an equity transfer agreement with TGL, pursuant to which our Company agreed to acquire the entire 100% equity interest from TGL in Tianjie Electronic and Technology for a total consideration of RMB2 million. The consideration for the acquisition was determined on the basis of the then registered share capital of Tianjie Electronic and Technology. The consideration was settled on 5 December 2010 by way of cash. As a result and up to the Latest Practicable Date, our Company owned 100% equity interest in Tianjie Electronic and Technology.

HISTORY AND CORPORATE STRUCTURE

Turpan Environmental

Turpan Environmental was established in the PRC on 19 July 2013 as a limited liability company with a registered share capital of RMB4 million. As at the Latest Practicable Date, the registered capital of Turpan Environmental has been increased to RMB20 million. At the time of its establishment, Turpan Environmental was wholly owned by our Company. As of the Latest Practicable Date, Turpan Environmental has not commenced any business operation and is expected to be principally engaged in the business of design, manufacturing, installation and sales of environmental pollution protection equipment and electronic control equipment in the PRC.

Disposal of a PRC subsidiary during the Track Record Period

Yuanteng Logistics

Yuanteng Logistics was established on 11 January 2008 as a limited liability company with a registered share capital of RMB1 million. At the time of its establishment, Yuanteng Logistics was held as to 100% by TGL. Yuanteng Logistics is principally engaged in the businesses of transportation, storage and the distribution of goods in the PRC.

On 1 March 2012, our Company entered into an equity transfer agreement with TGL, pursuant to which our Company acquired the entire 100% equity interest from TGL in Yuanteng Logistics for a total consideration of RMB1 million. The consideration for the acquisition was determined on the basis of the then registered share capital of Yuanteng Logistics. The consideration was settled on 1 March 2012 by way of cash. As a result, our Company owned 100% equity interest in Yuanteng Logistics.

On 23 November 2012, our Company entered into an equity transfer agreement with Zhuji TuoYu Renewable Resources Ltd.* (諸暨市拓宇再生資源有限公司) (“TuoYu Renewable”), pursuant to which our Company agreed to dispose its entire 100% equity interest in Yuanteng Logistics to TuoYu Renewable for a total consideration of RMB1 million. The consideration for the disposal was determined on the basis of the then registered share capital of Yuanteng Logistics. The consideration was settled on 25 December 2012 by way of cash. For the year of 2012, Yuanteng Logistics made a net profit of approximately RMB7.2 million. At the time of such disposal, TuoYu Renewable was held as to approximately 42.51% by Ms. Bao Guo, who is the spouse of Mr. Bian, sister-in-law of Ms. Bian Shu and daughter-in-law of Mr. Bian Jianguang; approximately 19.75% by Mr. Zhang Xuchu, who is the father of Mr. Zhang Yuanyuan and the father-in-law of Ms. Bian Shu; approximately 34.12% by Ms. Xu You, who is the spouse of Mr. Bian Jianguang and the mother of both Mr. Bian and Ms. Bian Shu; and approximately 3.62% by Mr. Bian Jianhui, who is the brother of Mr. Bian Jianguang and the uncle of Mr. Bian and Ms. Bian Shu. Upon the completion of such transfer, our Company no longer holds any interest in Yuanteng Logistics. We disposed of our interest in Yuanteng Logistics for the purpose of reorganisation for the Listing because its business was unrelated to our Group’s core business.

As confirmed by our PRC Legal Advisers, the above transactions have been properly and legally settled and completed, and all permits, licenses, authorisations, approvals and consents necessary or desirable to the validity and effectiveness of the above transactions have been obtained from the relevant PRC authorities and are valid, current, subsisting and not revoked.

HISTORY AND CORPORATE STRUCTURE

ACTING IN CONCERT ARRANGEMENT

As at the Latest Practicable Date, TGL, Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu directly held approximately 70%, 13.67%, 6.85% and 3.93% of the total issued share capital of our Company respectively. TGL was wholly owned by the Bian Family as at the Latest Practicable Date. On 21 October 2014, Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu, being members of the Bian Family, entered into the Acting in Concert Agreement to align their shareholding interests of our Company.

Pursuant to the Acting in Concert Agreement, Mr. Bian Jianguang and Ms. Bian Shu agreed to vote in concert with Mr. Bian for all operational and financial matters in shareholders' meetings and meetings of the Directors of our Company, and Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu also confirmed the existence of the aforementioned acting in concert arrangements in the past over the course of our Company's business history.

UNDERTAKING

On 12 February 2015, each of Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and Mr. Bian Weican respectively executed the Undertaking, pursuant to which each of Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and Mr. Bian Weican had undertaken that the number of Shares which he / she may transfer directly or indirectly each year during his / her term of office as the director, supervisor or senior management of our Company may not exceed 25% of the total number of the Shares directly and indirectly owned by him / her, and the Shares may not be transferred within one year after the date on which the Shares are listed and traded on the stock exchange. The Shares held by him / her may not be directly or indirectly transferred within six months after his / her resignation.

OUR CORPORATE STRUCTURE

Prior to the Global Offering

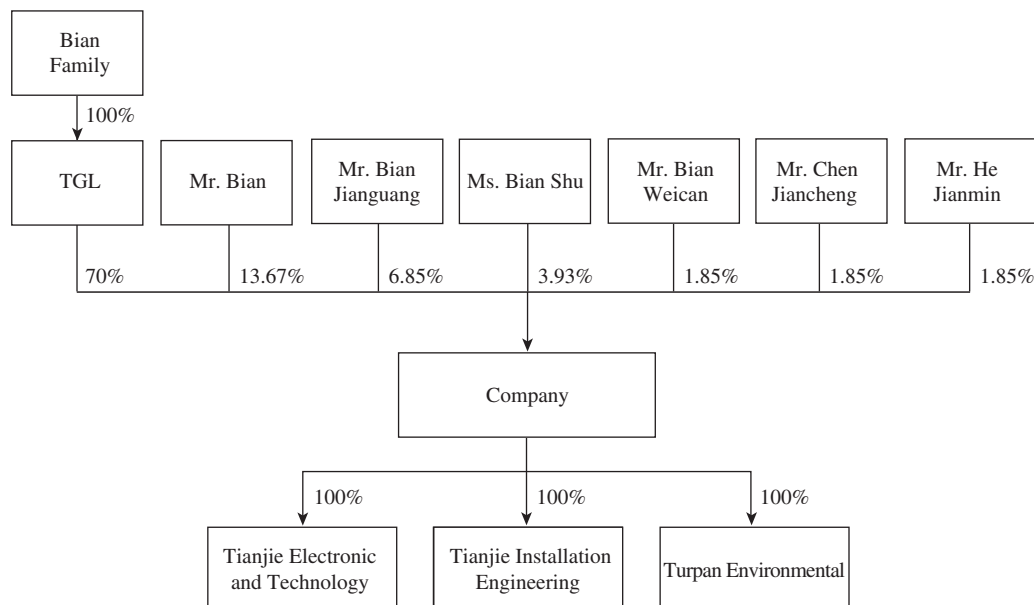
As at the Latest Practicable Date, our Company had issued 100,000,000 Domestic Shares and had a registered share capital of RMB100 million. The registered share capital is expected to increase to RMB135,000,000, comprising 100,000,000 Domestic Shares and 35,000,000 H Shares upon the Listing (assuming Over-allotment Option is not exercised).

Immediately prior to completion of the Global Offering, our Company was held as to approximately 70%, 13.67%, 6.85%, 3.93%, 1.85%, 1.85% and 1.85% by TGL, Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu, Mr. He Jianmin, Mr. Bian Weican and Mr. Chen Jiancheng respectively.

HISTORY AND CORPORATE STRUCTURE

Prior to Completion of the Global Offering

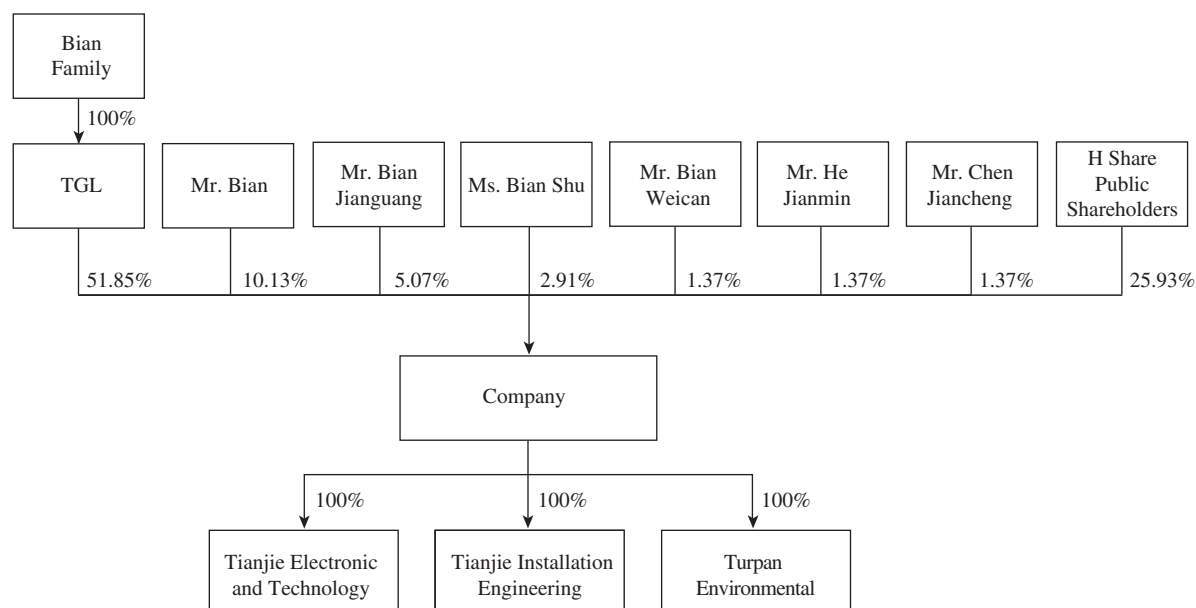
The following chart sets forth our corporate structure as at the Latest Practicable Date, immediately prior to the completion of the Global Offering:



Note: TGL is owned by Mr. Bian as to approximately 64.08%, Mr. Bian Jianguang as to approximately 22.81% and Ms. Bian Shu as to approximately 13.11%.

Immediately Following Completion of the Global Offering

The following chart sets forth our corporate structure immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option and no change in shareholding by each of our Shareholders listed below subsequent to the Latest Practicable Date:



Note: TGL is owned by Mr. Bian as to approximately 64.08%, Mr. Bian Jianguang as to approximately 22.81% and Ms. Bian Shu as to approximately 13.11%.

BUSINESS

OVERVIEW

Leveraging around 18 years of industry experience and continual innovation in industrial technologies, we are a well-established integrated atmospheric pollution control solution provider, with a primary focus on particulate emission control by offering mega-sized precipitators to customers in various industries. Precipitators are air-cleaning devices designed to trap and remove particulate matters from the exhaust gas stream of an industrial process. They are widely installed at coal-fired power plants, metallurgical plants, paper mills and other industrial production plants. We mainly offer three types of precipitators: electrostatic precipitators, bag filter precipitators and electrostatic-bag composite precipitators. The majority of precipitators we offered during the Track Record Period were electrostatic precipitators, which accounted for approximately 84.4%, 82.2%, 75.0% and 84.4% of our revenue from the segment of construction contracts for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. According to the Yubo Report, we were the third largest manufacturer of precipitators in the PRC in 2014 based on total sales amount and the fourth largest exporter of precipitators in the PRC in 2014 based on total export sales amount.

Enormous volume of major pollutants, including particulate matter, sulfur dioxide, nitrogen oxide and etc., produced during the coal burning process of coal-fired power plants has become the leading cause of massive atmospheric pollutions in the PRC. To tackle the worsening atmospheric pollution problems, the PRC government continues to strengthen its efforts in environmental protection by implementing more stringent environmental protection policies. In February 2014, as an effort to further strengthen the implementation of air pollution control measures in key air pollution areas, the central government announced that a special air pollution fund of RMB10 billion would be set aside in 2014 to reward, instead of subsidise, enterprises which clean up their emissions as an incentive to encourage enterprises to upgrade or replace old precipitators. Therefore, to comply with such increasingly stringent environmental protection regulations, together with the organic growth of coal-fired power generation, it has prompted the sustainable development of atmospheric pollution control industry in the PRC. To capture business opportunities arising from the fast-growing atmospheric pollution control industry in the PRC, we, leveraging our experience and expertise in particulate control, started to offer desulfurisation and denitrification solutions to our customers in 2003 and second half of 2013, respectively.

We offer tailor-made atmospheric pollution control solutions to our customers on a project basis, which generally comprise engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance. Our product specifications and scope of services are customised and made-to-order in accordance with the specific technical requirements of our customers. Depending on the specifications and technical requirements of our customers, we may provide atmospheric pollution control devices, comprising precipitators, desulfurisation system and/or denitrification system, either on an integrated basis or a standalone basis. Our atmospheric pollution control solutions are offered to new installation projects as well as upgrading or modification projects. During the Track Record Period, we completed 167 new installation projects and 64 upgrading or modification projects.

BUSINESS

During the past decade, we have established proven track record in offering atmospheric pollution control solutions to customers in various industries in the PRC, including coal-fired power plants owned by the state-owned power generation enterprises in the PRC. For details of our projects, please refer to the section headed “Business — Our Atmospheric Pollution Control Solutions — Our Projects” in this prospectus.

We believe that we have benefited, and will continue to benefit, from the synergies created through our customers’ satisfaction and broader market recognition of our brand, which have helped increase our opportunities and ability of securing project bids. Additionally, with our industry qualifications and track record in successfully completing projects for state-owned power plants in the PRC, we believe we have reinforced our reputation among power enterprises as well as customers in other industries as a reliable atmospheric pollution control solution provider, which enable us to draw on their support for new installation and upgrading or modification projects. Project owners, particularly the state-owned power generation enterprises, generally adopt the most economically advantageous tender approach which takes both technical merit and price into consideration in tender assessment, instead of adopting the lowest price approach. Therefore, leveraging our industry experience, we believe we have advantages over new entrants in project bidding.

Leveraging our extensive experience in the PRC market, we have expanded into international market since 2005 through undertaking projects by contracting with PRC subsidiaries of overseas enterprises, including overseas environmental engineering enterprises. This allows our atmospheric pollution control solutions be applied in foreign countries such as Vietnam, South Korea, Thailand, Indonesia, India, Chile, Panama and Russia. Export sales accounted for approximately 3.3%, 1.0%, 3.5% and 5.6% of our total revenue from continuing operations for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. We believe that we have not only gained valuable experience and technical know-how, but also enhanced our reputation and credibility through our engagement in overseas markets. We believe our established customer base in the PRC and our exposure to overseas markets could help us lay a solid foundation for our future expansion in both domestic and overseas markets and place us in an ideal position to capture the growth in any of these markets.

During the Track Record Period, our total revenue from continuing operations grew from approximately RMB553.5 million in 2012 to approximately RMB594.1 million in 2013 and further to approximately RMB781.9 million in 2014, while our profit from continuing operations grew from approximately RMB20.9 million in 2012 to approximately RMB25.8 million in 2013 and further to approximately RMB74.2 million in 2014. And we recorded revenue and profit from continuing operations of approximately RMB156.6 million and RMB15.1 million for the three months ended 31 March 2015, respectively. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the value of our new contracts (which represents the aggregate value of the contracts we entered into during a specified period) was approximately RMB479.2 million, RMB1,246.2 million, RMB1,167.9 million and RMB177.4 million, respectively. As at 31 March 2015, our backlog (including applicable VAT) (which represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date and assuming performance in accordance with the terms of the contract) was approximately RMB1,669.4 million.

BUSINESS

OUR COMPETITIVE STRENGTHS

We believe that our success and potential growth are attributable to the following competitive strengths:

We have a leading position in the electrostatic precipitator industry in the PRC

We are one of the leading solution providers in the electrostatic precipitator industry in the PRC. The majority of precipitators we offered during the Track Record Period were electrostatic precipitators, which accounted for approximately 84.4%, 82.2%, 75.0% and 84.4% of our revenue from the segment of construction contracts for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. According to the Yubo Report, we were the third largest manufacturer of precipitators in the PRC in 2014 in terms of total sales amount and the fourth largest exporter of precipitators in the PRC in 2014 in terms of total export sales amount.

We have accumulated substantial experience in designing and manufacturing precipitators since 1997 when our predecessor, namely TGL, commenced offering atmospheric pollution control solutions. Leveraging our experience and expertise in particulate control, we have diversified our service portfolios by offering desulfurisation and denitrification systems since 2003 and second half of 2013, respectively. With our in-depth experience in particulate control and diversified service portfolios, we have capabilities across a range of industries and applications, such as power generation, metallurgical, paper mill and other industries.

Our execution capabilities can be demonstrated in part by the various governmental and industrial licences that we have obtained. In addition to the certificates which are mandatory for a market player engaging in environmental protection engineering operation, including the Qualification Certificate on Engineering Design — Class B in environmental engineering (atmospheric pollution control) (工程設計資質證書—環境工程(大氣污染防治)專項乙級) and the Qualification Certificate of Construction Industry (建築業企業資質證書) — Class B Certificate in environmental protection engineering (環保工程專業承包貳級) issued by Zhejiang Province Department of Housing and Urban-rural Development (浙江省住房和城鄉建設廳), and the Qualification Certificate of Construction Industry (建築業企業資質證書) — Class C Certificate in steel structural engineering (鋼結構工程專業承包叁級) issued by Shaoxing City Construction Management Bureau (紹興市建築業管理局), we also possess other licences and recognitions which despite are not mandatory for our business operations, could testify to our execution capabilities. For example, we have received around 13 recognitions from a number of accrediting institutions as to the conformity with industry standards of specifications of our products and solutions as at the Latest Practicable Date. In particular, we have obtained the CE Certificates of Conformity issued by CEM International Ltd., an accredited certification body or assessor recognised by CE, confirming that our electrostatic precipitator and bag filter precipitator meet the relevant requirements of the Electromagnetic Compatibility Directive and the relevant essential health and safety requirements of the Machinery Directive. The obtaining of CE Certificates allows us to export electrostatic precipitators and bag filter precipitators to customers located in countries of European Union. We believe the possession of these certificates and recognitions could add creditability to and strengthen customers' confidence in our products. For details of the licences and recognitions in relation to our business operations, please refer to the section headed "Business — Certificates, Licences and Permits" in this prospectus.

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In recognition of our achievement, we were awarded the “2011 Core Enterprise in Environmental Protection Industry in Zhejiang Province (2011年度浙江省環保產業骨幹企業)” by Zhejiang Province Environmental Protection Industry Association (浙江省環保產業協會) in 2012 and the “Special Contribution Award” by the Electrostatic Precipitator Committee of China Environmental Protection Industry Association (中國環境保護產業協會) in 2013. For further details, please refer to the section headed “Business — Awards and Recognitions” in this prospectus.

Leveraging our proven track record and well-recognised qualification in the industry, we believe that we will continue to benefit from and be able to capture further business opportunities in the fast-growing environmental protection industry in the PRC.

We have established a solid customer base in the PRC and expanded into overseas market

We have built up a solid customer base in the PRC. During the Track Record Period, a significant portion of our revenue was generated from our provision of atmospheric pollution control solutions in the power generation industry, including certain state-owned power plants. Our revenue from continuing operations generated from our products used in the power generation industry accounted for approximately 88.4%, 83.6%, 86.7% and 89.4% of our total revenue from continuing operations for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. In addition, as at 31 March 2015, we had in total 87 outstanding projects (including 51 ongoing projects and 36 uncommenced projects) with total contract sum of approximately RMB2,339.1 million, among which 71 contracts with total contract sum of approximately RMB2,150.2 million related to our provision of atmospheric pollution control solutions to the power generation industry. In view of our quality products and services, we are able to expand our business to other industries such as metallurgical, paper mill and other industries in the PRC.

During the Track Record Period, we have completed 167 new installation projects and 64 upgrading or modification projects. With our extensive project experience, we believe that we have benefited, and will continue to benefit, from the synergies created through our customers’ satisfaction and broader market recognition of our brand, which have helped increase our opportunities and ability of securing project bids. Additionally, with our well-recognised industry qualifications and proven track record in offering atmospheric pollution control solution to state-owned power plants in the PRC, we believe we have reinforced our reputation among power enterprises as well as customers in other industries as a reliable atmospheric pollution control solution provider, which enable us to draw on their support for new installation and upgrading or modification projects. Therefore, we believe we have advantages over new entrants in project bidding.

Leveraging our extensive experience in the PRC market, we have expanded into international market since 2005 through undertaking projects as sub-contractor or key contractor from the PRC subsidiaries of a number of overseas power generation enterprises and overseas environmental engineering enterprises. This allows our atmospheric pollution control solutions be applied in foreign countries such as Vietnam, South Korea, Thailand, Indonesia, India, Chile, Panama and Russia. Export sales accounted for approximately 3.3%, 1.0%, 3.5% and 5.6% of our total revenue from continuing

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operations for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. We believe that our exposure to overseas market not only allowed us to gain valuable experience and technical know-how, but also enhanced our reputation and credibility through our engagement in overseas markets.

We believe our established customer base in the PRC and our exposure to overseas markets could help us lay a solid foundation for our future expansion in both domestic and overseas markets and place us in an ideal position to capture the growth in any of these markets.

We are well-positioned to benefit from the increasing focus by the PRC government on environmental protection and favourable governmental policies

Our leading position in the electrostatic precipitator industry in China allows us to take advantage of the increasing focus of the PRC government on atmospheric pollution control measures. To tackle the worsening atmospheric pollution problems, the PRC government continues to strengthen its efforts in environmental protection by implementing more stringent environmental protection policies. With the official implementation of the New Environmental Protection Law in the PRC on 1 January 2015, the penalty of illegal emissions, excessive emissions, detection avoidance and other misconducts has increased, forcing the enterprises to rectify their environmental illegal activities immediately. In addition, the Law of the Prevention and Control of Atmospheric Pollution (Revised Bill) has been proposed to The Standing Committee of the National People's Congress for consideration and approval, which will impose monetary penalty or administrative penalties including suspension of or ceasing from operation on environmental illegal activities including unlicensed operation, excessive emission, exceeding emission caps and fake regulatory data. With the increasing awareness of environmental protection of the government and public in the PRC, we believe that there will be vast investment demand for environmental protection in coming years, which will in turn stimulate the demand for our atmospheric pollution control products and services.

We believe we are well-positioned to capture the significant business opportunities arising from the increasing focus by the PRC government on atmospheric pollution control. To cater for the increasing demand of our products and services, we plan to enhance our production capacities by expanding our production facilities in Zhuji City, Zhejiang Province and developing new production facilities in Turpan City, Xinjiang Province and Pinghu City, Zhejiang Province. It is expected that with the new production facilities in Turpan City, Xinjiang Province, our production facilities will be in close proximity to our markets in Southeast and Northwest regions of the PRC, thereby further enhancing our cost competitiveness as a result of the reduction of transportation costs and time.

We believe that our in-depth industry knowledge and strong research and development capabilities have been key factors in enabling us to meet the increasingly stringent governmental standards as well as customers' requirements on the emission control. Governmental environmental requirements in the PRC are becoming increasingly stringent as the PRC government sets stricter quality standard and efficiency for the atmospheric pollution control devices. Local governments are also active in the enforcement of environmental policies, by inspecting manufacturing facilities and closing facilities that do not meet the required standard. Nonetheless, with our focus on research and

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development and technological innovation, we believe we are capable of assisting our customers to meet the challenges of increasingly stringent standards to be imposed by the PRC government in the future, thereby distinguishing us from our competitors who are not able to adapt to the increasingly strict environmental regulatory landscape in our industry.

We believe the increasing focus by the PRC government on atmospheric pollution control and the related favourable governmental measures and policies will further increase the demand for our products and services, and have a positive impact on the outlook of our business.

We have strong research and development, design and engineering capabilities

We believe that our research and development, design and engineering capabilities contribute significantly to our success. We have our own research, development and design centre located in our headquarters at Zhuji City for proprietary research. In addition, we have entered into agreements with an academic institution and a strategic partner with a view to enhancing our research and development capability. For example, we have entered into an agreement with the Energy Engineering Research and Design Institute of Zhejiang University (浙江大學能源工程設計研究院) on research and development of desulfurisation technologies for a term of five years from 25 June 2013. We have also entered into a co-operation agreement with a strategic partner, whose holding company is a listed company in South Korea principally engaged in provision of environment technology and services for power, metallurgical and cement plants, for co-operation in bidding desulfurisation and denitrification projects in the PRC. As at the Latest Practicable Date, we had 35 registered patents (including two invention patents and 33 utility model patents) and four applications for patent in the PRC.

With our strong design and engineering capabilities, we believe our major products represent a wide range of atmospheric pollution control solutions to our customers. With our primary focus on electrostatic precipitators, we have offered a wide range of models of electrostatic precipitators which support electricity generators with capacity spanning from 3 MW to over 1000MW. According to the Yubo Report, we are one of a few manufacturers in the PRC which have provided electrostatic precipitators for single generator unit with capacity of 1000MW or above. Leveraging our experience and expertise in particulate control, we first possessed the technology of desulfurisation in 2003, and have subsequently expanded our service coverage by offering denitrification systems since the second half of 2013. During the Track Record Period, we have completed in total nine desulfurisation and denitrification projects.

Leveraging our strong research and development capabilities, our products received various awards and certifications:

- the electrostatic precipitator for a circulating fluidised bed boiler developed by our predecessor, TGL, was listed as an innovation fund project and was also awarded National Key New Product (國家重點新產品證書) jointly by Ministry of Science and Technology (科學技術部), State Administration of Taxation (國家稅務總局), Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部), The State Bureau of Quality and Technical Supervision (國家質量技術監督局) and The State Environmental Protection Administration (國家環境保護總局) in 1998;

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- our dense-phase fluid bin pump pneumatic conveying system (濃相流態倉式泵氣力輸送系統) and circulating fluidised bed boiler auxiliary electrostatic precipitator (循環流化床鍋爐配套電除塵器) developed by our predecessor, TGL, was accredited with Certificate of High & New Technological Product (浙江省高新技術產品證書) by Science Technology Department of Zhejiang Province (浙江省科學技術廳) in 2003;
- our new model of high-efficient electrostatic-bag composite precipitator (新型整體式高效電袋除塵器) developed by our predecessor, TGL, was accredited with National Torch Scheme Certificate (國家級火炬計劃項目證書) under Torch High Technology Industry Development Centre of the Ministry of Science and Technology of the PRC (科學技術部火炬高技術產業開發中心) in 2008;
- our series of electrostatic precipitators and pneumatic ash conveyer (氣力輸灰系統) were granted the Zhejiang Environmental Protection Products Credit Certificate (浙江省環保產品信用證) by Zhejiang Province Environmental Protection Association (浙江環保產業協會) in 2011, 2012 and 2013;
- seven of our products including electrostatic precipitator, electrostatic-bag composite precipitator, bag filter precipitator, pneumatic ash conveyer and desulfurisation equipment were certified by Power (Beijing) Product Certification Centre Co., Ltd. (電能(北京)產品認證中心有限公司), which is an organisation engaged in the certification of mechanical and electric products in the PRC as approved by Certification and Accreditation Administration of China (CNCA); and
- our efficient auxiliary electric precipitator for 2x1000 MW coal-fired generator units (2x1000MW 燃煤發電機組配套高效電除塵器) was granted Scientific and Technological Achievements Registration Certificate (科學技術成果登記證書) by Zhejiang Provincial Science Department (浙江省科技廳) in 2014.

With our dedicated staff of research and development, we strive to continuously improve the functionality, efficiency and quality of our products and solutions and to develop new technologies to meet increasingly stringent governmental standards to combat atmospheric pollution.

Our products and solutions are cost competitive in view of our ability to manufacture key parts of our products and the location of our production facilities in close proximity to major logistics centre of China

The atmospheric pollution control solutions offered by our Group mainly comprise of the atmospheric pollution control devices designed and manufactured in our own effort. We have the qualifications and expertise in manufacture and supply of the key atmospheric pollution control system of the projects undertaken by us based on customised design proposal. For example, we possess the Qualification Certificate on Engineering Design — Class B in environmental engineering (atmospheric pollution control) (工程設計資質證書—環境工程(大氣污染防治)專項乙級) and the Qualification Certificate of Construction Industry (建築業企業資質證書) — the Class B Certificate in environmental protection engineering (環保工程專業承包貳級) issued by Zhejiang Province Department of Housing and Urban-rural Development (浙江省住房和城鄉建設廳) and the

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Qualification Certificate of Construction Industry (建築業企業資質證書) — Class C Certificate in steel structural engineering (鋼結構工程專業承包叁級) issued by Shaoxing City Construction Management Bureau (紹興市建築業管理局), which qualify us to engineer, manufacture and install atmospheric pollution control devices based on our customised designs for customers. In addition, we possess various qualifications and licences for manufacture of key components and parts of our atmospheric protection control products. For example, the Manufacture Licence of Special Equipment of the PRC for pressure vessels (中華人民共和國特種設備製造許可證—壓力容器) obtained from Zhejiang Province Bureau of Quality and Technical Supervision (浙江省質量技術監督局) in 2013 for manufacture of pressure vessels and the Certificate of Authorisation — Manufacture of pressure vessels at Zhejiang TENG Y Environmental Technology Co., Ltd. in accordance with the provisions of the ASME Boiler and Pressure Vessel Code issued by The American Society of Mechanical Engineers qualify us to manufacture in-house pressure vessels, a core component of precipitators applied in bag filter precipitators and pneumatic ash conveying system, in accordance with domestic and overseas standards. We have also obtained the CE Certificates issued by CEM International Ltd. which allow us to export electrostatic precipitators and bag filter precipitators to customers located in countries of European Union. Unless our customers request for designated brand of parts or components, the major parts and components of our atmospheric pollution control system are manufactured in-house. We believe that our ability to provide atmospheric pollution control solutions in-house provides us with a competitive advantage in terms of cost, quality control and delivery timeframe.

Moreover, we place great emphasis on our product quality. We have adopted a quality management system to ensure strict control of our products at various stages of our manufacturing processes. We are accredited with GB/T19001-2008/ISO9001:2008 Quality Management System Certificate in recognition of our good quality management and GB/T24001-2004/ISO14001:2004 Environmental Management System Certificate in recognition of our good environmental management system. We believe our stringent quality control throughout our manufacturing process could increase our customers' confidence in our products.

In addition, at present our main production facilities are located in Zhuji City, Zhejiang Province, which is adjacent to Hangzhou and Shanghai, two of the major logistics centres in China. The developed logistics and transportation network in Zhejiang Province allows us to reduce our transportation costs incurred in delivery of semi-finished components and parts to our customers' site locations across the country, and the procurement of raw materials for production. We believe that our competitiveness could further be enhanced after the commissioning of our new production facilities in Xinjiang Province, which places us in close proximity to our market in Northwest region of the PRC.

We have an experienced and dedicated management team with significant industry expertise

Our continued success in expanding our business and maintaining our growth is to a large extent attributable to our strong and professional management team with its commitment to our Group, its professional execution capability and the extensive experience of its members. Our management includes qualified personnel with extensive experience in our business and with engineering or

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technical backgrounds, which enhance our ability to undertake and execute projects. Our key management members have over ten years of experience in the environmental protection industry. We believe our experienced and dedicated management team will continue to lead our Group in seizing market opportunities and to develop and implement our business strategies.

Our management team is supported by a skilled work force. As at 31 March 2015, we had more than 400 staff dedicated to production and engineering. We believe that this pool of engineering and technical staff is essential for the efficient and effective execution of our projects. We are dedicated to developing the expertise and know-how of our staff, and continue to develop alongside with our staff through providing training. We are of the view that safety is a vital part in our industry. Therefore, safety is treated as the highest priority during the delivery of our services, and we are committed to providing a safe and healthy working environment for our employees. As at the Latest Practicable Date, 12 personnel, including key management members, project managers and safety supervisors, have obtained the safety certificate issued by relevant authorities. As a result of our persistent focus on work safety, we did not record any accidents of serious nature during the Track Record Period.

OUR BUSINESS STRATEGIES

Our business objective is to become one of the leading atmospheric pollution control solution providers in the PRC. We intend to achieve our business objective by adopting the following strategies:

We will continue to enhance our research and development capabilities, to develop new technologies and to expand our product portfolio

To further strengthen our market position, we intend to further enhance our research and development capabilities, particularly to enhance our technological reserve and create innovative solutions which create additional value for our customers. We also intend to continue to capitalise on our research and development strengths to develop new technologies and products to maintain and enhance our position as an integrated atmospheric pollution control solution provider. To this end, we plan to:

- enhance the functionality and features of our existing models of precipitators, particularly the efficiency of ash removal, to meet the increasing needs from power plants and related operators for higher-efficiency environmental protection equipment;
- develop new technology associated with precipitators to enhance their performance to meet the increasingly stringent emission standard; and
- place strong emphasis on developing our expertise in desulfurisation and denitrification, by focusing on improving the production technology for the desulfurisation and denitrification devices.

BUSINESS

We intend to further enhance our research and development capabilities by various means, including increasing investment in our research and development resources, recruiting additional technical experts, and enhancing collaboration with academic institutions and/or international professional institutions. We believe our research and development efforts will continue to contribute to our sustainable development.

We will continue to develop selected overseas markets and expand our international market share

We intend to enter into or further develop selected overseas markets and continue our international expansion. We have achieved initial success in our expansion into overseas markets, and have offered our products to around ten overseas countries. Export sales accounted for approximately 3.3%, 1.0%, 3.5% and 5.6% of our total revenue from continuing operations for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. Our ultimate goal is to leverage our success in the PRC to establish extensive and stable clientele internationally. To that end, we intend to initially focus our efforts on servicing customers in developing countries, and gradually expand into other developed countries when we consider it appropriate to do so.

We intend to identify market opportunities in certain countries and regions where the level of economic development and the needs for environmental protection solutions are comparable to that of the PRC. We will continue to choose our target markets based on their similarities with the PRC market in terms of customer's needs, requirements and purchasing power and will continue to focus on these markets in the near future.

We plan to further expand into overseas markets through a variety of methods, including (i) enhancing our sales and service network through cooperation with local agents and service providers; and (ii) if and when appropriate, establishing representative offices or branch offices in overseas countries.

We intend to expand our fabrication capacity to enhance competitiveness and strengthen our market position in the PRC

In order to continue to capitalise on the fast-growing market needs for atmospheric pollution control solutions in the PRC, we intend to enhance our fabrication capacity. To this end, we intend to increase our fabrication capacity by recruiting additional engineers, technicians and workers for our existing production facilities in Zhuji City, Zhejiang Province as well as developing new production facilities. One of our new production facilities is located at Turpan City, Xinjiang Province, which will comprise production plant, staff dormitory and ancillary facilities with a total gross floor area of approximately 38,000 sq.m.. We believe that our competitiveness could further be enhanced after the commissioning of our new production facilities in Xinjiang Province, which places us in close proximity to our market in Northwest region of the PRC. To further enhance our fabrication capacity, we intended to change the use of the properties we leased from TGL in Pinghu City, Zhejiang Province from office premises to production facilities. The new production facilities in Pinghu City, Zhejiang Province will comprise production plant, staff dormitory and ancillary facilities with a total gross floor area of approximately 25,000 sq.m.. For further details, please refer to the section headed "Business — Production — Expansion plan" in this prospectus.

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We intend to strengthen sales and capture the growing opportunities in the atmospheric pollution control solution industry in the PRC

Benefited from the favourable government policies in the PRC, it is expected that the demand for atmospheric pollution control solutions in the PRC would increase constantly. We believe that such sustainable growth of demand in the PRC provides ongoing opportunities for the continuing growth of sales of our products. Therefore, we intend to ride on such competitive edge to increase our market share in sales of precipitators as well as to further tap into the market of desulfurisation and denitrification devices by enhancing our sales effort and further strengthening our brand. To this end, we intend to expand our sales force and network through recruiting additional sales and marketing personnel, conduct more marketing activities to promote our brand through various means such as industry magazines, and to participate in industry related exhibitions and fairs in both PRC and overseas.

We intend to pursue strategic acquisition opportunities

We plan to explore and pursue acquisition or joint venture opportunities to strengthen our market position and enhance our competitiveness in the atmospheric pollution control industry. We intend to seek to acquire, invest in, or form joint ventures or strategic alliances with companies which we believe can facilitate our expansion strategy. We plan to target those companies with substantial research and development, manufacturing and sales capabilities, and those companies that allow us to access new markets and establish local customers relationships to complement our existing business. As at the Latest Practicable Date, we had not entered into any letter of intent or agreement for such acquisition nor identified any definite acquisition target.

OUR ATMOSPHERIC POLLUTION CONTROL SOLUTIONS

We are an atmospheric pollution control solution provider that offers a range of technologies and services which aim to reduce particulate matter and exhaust gas emissions from power plants and other industries. In particular, we specialise in the engineering design and manufacturing of precipitators which are installed in power plants and manufacturing plants to reduce particulate emission from industrial production activities. Leveraging our experience and expertise in particulate control, we have expanded our service coverage by offering desulfurisation systems and denitrification systems since 2003 and second half of 2013, respectively.

We mainly offer atmospheric pollution control solutions to our customers on a project basis, and all of our products are custom-made to meet the needs and technical specifications of our customers. We generally provide a combination of engineering design, procurement and manufacturing, and technology consultancy services. Our portfolio of products comprises atmospheric pollution control devices developed and manufactured by our Group, including precipitators, desulfurisation system and denitrification systems. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our revenue generated from the sale of precipitators accounted for approximately 97.3%, 98.7%, 87.0% and 96.8% of our revenue under the construction contracts segment, respectively.

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Our atmospheric pollution control products are generally installed at production facilities of the power generation, metallurgical, paper mill and other industries. We may deal directly with the project owners of the production facilities or we may be engaged as suppliers of the main contractors of these project owners. For details, please refer to the section headed “Business — Customers” in this prospectus.

The business operations of the project owners of our products generally involve coal burning and emit waste gases. Under the applicable PRC environmental regulations, waste gas must meet stipulated emission standards before they can be discharged into the atmosphere. Our atmospheric pollution control systems are thus utilised to assist the project owners in meeting the relevant emission standards. The table below illustrates the current emission standards of new coal-fired power plants under applicable PRC regulations:

	PRC government standards (mg/Nm ³)
Particulate matters	30
SO ₂ ⁽¹⁾	100 (for new power plants) 200 (for existing power plants)
NO _x	100

Note 1: This emission standard is not applicable in Guangxi Zhuang Autonomous Region, Chongqing City, Sichuan Province and Guizhou Province.

Source: Emission standard of air pollutants for thermal plants (GB13223-2011)

Leveraging our in-depth knowledge in the industry, we are able to offer precipitators which can meet not only the emission standards under applicable PRC regulations, but also the more stringent standards at our customer’s request. At present, we are capable of offering precipitators which remove particulate matters from exhaust gas to less than 10 mg/Nm³.

Our Products

Our atmospheric pollution control products could generally be classified into: (i) ash removal and transfer system; (ii) SO₂ emission reduction system; and (iii) NO_x emission reduction system. Ash removal and transfer systems, generally comprising precipitators and pneumatic ash conveying systems, are our major products. Our products are designed to cater to customers’ specific technical requirements in respect of different projects to be applied to different industries.

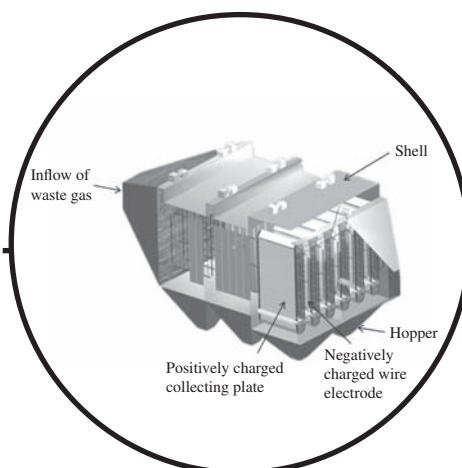
The following is a brief description of our key products:

(i) *Ash removal and transfer*

Precipitators



Electrostatic precipitators
(静電除塵器)



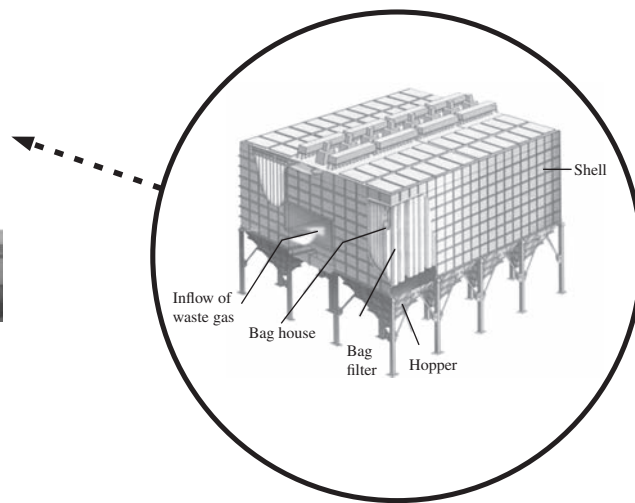
Technical features:

- To collect ash by using electrostatic forces
- A high voltage is applied in the precipitator to form an electric field between the negatively charged wire electrodes and the positively charged collecting plates inside the precipitator for ionisation of gas. When the ash-contained gas passed through the precipitator, the electric field charges the ash particles and causes them to be collected on the positively charged collecting plates by electric force. The ash particles are separated from the ash collecting plates by vibration and fall into the ash hopper, and taken out through the ash conveying system.
- One type of the electrostatic precipitators offered by us is wet electrostatic precipitators (濕式靜電除塵器), which is usually referred to as WESP. It operates on the same basic principle as dry electrostatic precipitators and goes through three stages, including charging, collection and ash removal. First, fine dust and micro-particles are collected on the positively charged collecting plates. Then these particles are washed away by water. WESP is mainly used to remove the harmful substances, such as dust, acid mist, water drops, aerosol, stink and PM2.5 contained in the wet air.

- Another type of the electrostatic precipitators offered by us is mobile plate electrostatic precipitators (移動極板電除塵器). It operates on the same working principle as traditional electrostatic precipitators, which relies on electrostatic force to collect dust but with different ash removal methods. A mobile plate electrostatic precipitator removes the fine dust from collecting plates far away from airflow by ash removal brush when the plates rotate to the ash hopper at the bottom of electric field. The mobile plate electrostatic precipitators are effective and efficient on ash removal without re-entrainment.



Bag filter precipitators
(袋式除塵器)

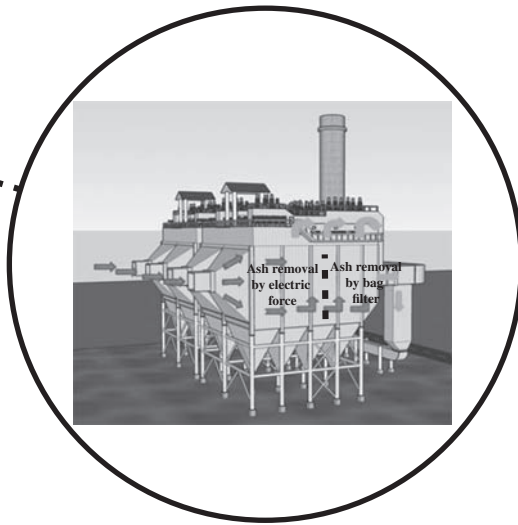


Technical features:

- To collect ash by bag
- When ash-contained gas enters the bag filter, the gas travels through the filter bag. Ash particles are retained on surface of the bag while the cleaned gas passes out through bags to the outlet of bag filter. Ash on the surface of the bag filter is blown by pressurised air back into the ash hopper and taken away through the ash conveying system.



Electrostatic-bag composite precipitators
(電袋複合除塵器)



Technical features:

- To remove ash by both electric force and bag filter
- When ash-contained gas enters the precipitator, large particulates will be collected by electric force onto the collecting plates, while fine particulates will be collected by the bag filter.

Ash conveying system



Pneumatic ash conveying system
(氣力輸灰系統)

Technical features:

- To transfer the ash collected by precipitators to ash storage containers through pressurised air and pipes

(ii) *SO₂ emission reduction*

Desulfurisation devices



Semi-dry desulfurisation with circulating fluidised bed
(循環流化床半乾法脫硫)



Lime-gypsum wet fuel gas desulfurisation (石灰—石膏濕法燃氣脫硫)

Technical features:

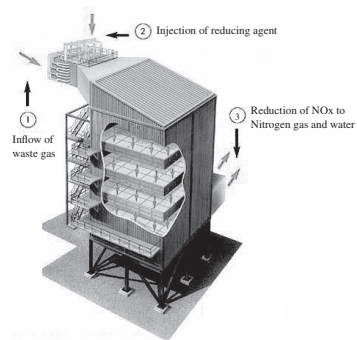
- To reduce SO₂ emissions by using lime-based reagent in powdery form
- Solid reaction products will be resulted from the reaction of SO₂ and the reagent. Then the reaction products will be collected by a precipitator and be disposed of, while the reagent which has not yet been reacted is sent back to the system for reuse.
- Suitable for waste incineration power plants and power plants located in dry areas such as the northwestern region of the PRC

Technical features:

- To reduce SO₂ emissions by using lime-based reagent
- Gypsum is resulted from the reaction of SO₂ and limestone. The gypsum is then separated out of the process by filtration and dehydration.
- Suitable for large sized coal-fired power plants or industrial boilers

(iii) *NO_x emission reduction*

Denitrification devices



Technical features:

- By injection of ammonia (NH₃) as reducing agent, to reduce NO_x to elemental Nitrogen gas and water with the aid of a catalyst system

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In general, our atmospheric pollution control systems have a product life of around 30 years provided that such systems are under proper operations and regular inspections, and maintenance of machinery are performed by our customers or project owners during such period. In general, our atmospheric pollution control systems require extensive repair every three to five years to continue operating within design parameters. We generally do not have exclusivity on undertaking such repair work of our customers after the expiry of warranty period. During the Track Record Period, we focused our resources on bidding new installation projects and upgrading or modification projects, which contract amount is generally higher as compared to that of repair projects. As we only generated an insignificant amount of revenue from repair work during the Track Record Period, our Directors are of the view that not having any exclusive right of undertaking the repair work of our projects after the expiry of warranty period does not have any material impact on our results of operations. For information about the impact of the long replacement cycle of our products, please refer to the risk factor headed “Our atmospheric pollution control systems have a long product life which may lead to a long average replacement cycle” in the section headed “Risk Factors” in this prospectus.

In view of the long product life, we endeavour to solicit new customers by various means. We would browse the webpage of major power generation companies, main contractors and environmental protection department of the PRC to identify tender opportunities. We have also registered as a member of a China bidding website, through which we would be informed of any suitable tender opportunities. We also explore business opportunities by contacting directly with potential customers such as power generation companies and power design companies. Our sales representatives, who are assigned to serve a specific group of customers based on geographic region, would leverage their network of the local market to obtain market information about any new installation project and upgrading or modification project from third parties such as power generation companies and power design companies.

For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, we were able to secure 31, 45, 33 and 6 new customers, respectively.

Notwithstanding the long product life, project owners may upgrade or modify their existing atmospheric pollution control systems before the end of product life due to the increasingly stringent emission control regulation and/or their own operational needs. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our revenue derived from recurring customers in respect of upgrading or modification projects was approximately RMB6.1 million, RMB42.6 million, RMB199.4 million and RMB10.6 million, accounting for approximately 1.1%, 7.4%, 25.7% and 6.8% of our revenue under the construction contracts segments, respectively.

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Our Projects

We generally offer our atmospheric pollution control solutions, comprising engineering design, procurement and manufacturing and consultancy services, to our customers on a project basis. During the Track Record Period, we completed 222 ash removal projects and in total nine desulfurisation and denitrification projects. As at 31 March 2015, we had 49 ongoing ash removal projects and two ongoing desulfurisation and denitrification projects.

We completed 231 projects during the Track Record Period, and had 51 ongoing projects and 36 uncommenced projects as at 31 March 2015, details of which are as follows:

Completed projects

The following table sets out certain information relating to our completed projects for the period indicated:

	2012		Year ended 31 December 2013		2014		Three months ended 31 March 2015	
	<i>Number of completed projects</i>	<i>Contract sum (RMB million)</i>	<i>Number of completed projects</i>	<i>Contract sum (RMB million)</i>	<i>Number of completed projects</i>	<i>Contract sum (RMB million)</i>	<i>Number of completed projects</i>	<i>Contract sum (RMB million)</i>
Ash removal	53	583.6	61	911.4	99	630.9	9	47.4
Desulfurisation and denitrification . .	1	1.0	1	0.9	7	87.0	—	—
Total	54	584.6	62	912.3	106	717.9	9	47.4
Newly installed . .	45	574.0	51	876.0	70	559.1	1	17.2
Upgrading/ modification . .	9	10.6	11	36.3	36	158.8	8	30.2
Total	54	584.6	62	912.3	106	717.9	9	47.4

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Ongoing projects

As at 31 March 2015, we had a total of 51 ongoing projects, with an aggregate contract sum of approximately RMB1,812.5 million, among which contract sum of approximately RMB669.7 million, representing approximately 36.9% of the total contract sum of our ongoing projects, has been recognised as our revenue during the Track Record Period. The following table sets out certain information relating to our ongoing projects as at 31 March 2015:

	Number of projects in progress	Initial contract sum (RMB million)	Accumulated percentage recognised during the Track Record Period
Ash removal	49	1,763.9	36.0%
Desulfurisation and denitrification	<u>2</u>	<u>48.6</u>	70.0%
Total	51	1,812.5	36.9%
Newly installed	40	1,613.2	33.2%
Upgrading/modification	<u>11</u>	<u>199.3</u>	67.5%
Total	51	1,812.5	36.9%

Uncommenced projects

As at 31 March 2015, we had 36 uncommenced projects with total initial contract sum of approximately RMB526.6 million. The following table sets out certain information relating to our uncommenced projects as at 31 March 2015:

	Number of uncommenced projects	Initial contract sum (RMB million)
Ash removal	33	433.6
Desulfurisation and denitrification	<u>3</u>	<u>93.0</u>
Total	36	526.6
Newly installed	27	481.8
Upgrading/modification	<u>9</u>	<u>44.8</u>
Total	36	526.6

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Subsequent to 31 March 2015 and up to the Latest Practicable Date, we have entered into 44 new contracts, with initial contract sum of approximately RMB455.9 million.

Representative projects

The following table shows some of the representative projects in which we have been/are currently involved:

Background of project owners	Type of atmospheric pollution control solutions offered by us	Contract date	Initial contract value	Actual/estimated completion date
A power plant (Phase II) in Hubei Province	We offered electrostatic precipitators for two generating units, each with capacity of 1000MW, to a large-scale power plant. According to the test results, our precipitators were capable of reducing particulate emissions to approximately 26 mg/Nm ³ , which was well below the PRC government's existing emission standard of 30 mg/Nm ³ .	June 2010	RMB81 million	completed in 2013
A power plant in Zhejiang Province	We offered electrostatic precipitators for two generating units, each with capacity of 1000MW.	October 2010	RMB78 million	completed in 2013
A power plant (Phase I) in Shandong Province	In this project, we shall offer electrostatic precipitator that can treat flue gas of below 100 °C for 2X1013MW generating units to a power plant (Phase I) in Shouguang, Shandong Province. Our electrostatic precipitators adopt imported high-frequency transformers and pulse transformers, and have designed soot emission of less than 18mg/Nm ³ .	October 2013	RMB122.39 million	expected to be completed in 2015

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Background of project owners	Type of atmospheric pollution control solutions offered by us	Contract date	Initial contract value	Actual/estimated completion date
A power plant (Phase I) in Shanxi Province	We have entered into an engineering, procurement and construction (EPC) contract for 2X300MW generating unit flue gas desulfurisation and dust removal system upgrading project. Such project was tendered jointly by our Company and an Independent Third Party, pursuant to which we shall be responsible for the construction of precipitator and pneumatic ash conveying system, and such third party shall be responsible for the construction of a desulfurisation system and modification of part of the auxiliary controlling building ^(Note) .	December 2013	RMB155 million, of which we bore the contract amount of RMB66.34 million.	expected to be completed in 2015
A power plant in the Republic of Panama	This is an overseas project, in which we shall offer bag filter precipitators to a power plant in the Republic of Panama.	September 2012	US\$2.7 million	expected to be completed in 2015
A steel mill in Brazil	This is an overseas project, in which we offered electrostatic precipitators to a steel mill in Brazil.	September 2013	RMB17.2 million	completed in 2014

Note: During the Track Record Period, other than such project relating to such power plant (Phase I) in Shanxi Province, we had no other projects which were jointly tendered by our Group and other parties. Pursuant to the relevant contract, the contract amount payable to us was approximately RMB66.34 million, among which the revenue of approximately RMB47.0 million was recognised in 2014. For such project tendered jointly with other party, we entered into a subcontract with the joint tendering party and the revenue was recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the contract.

Our after-sales services

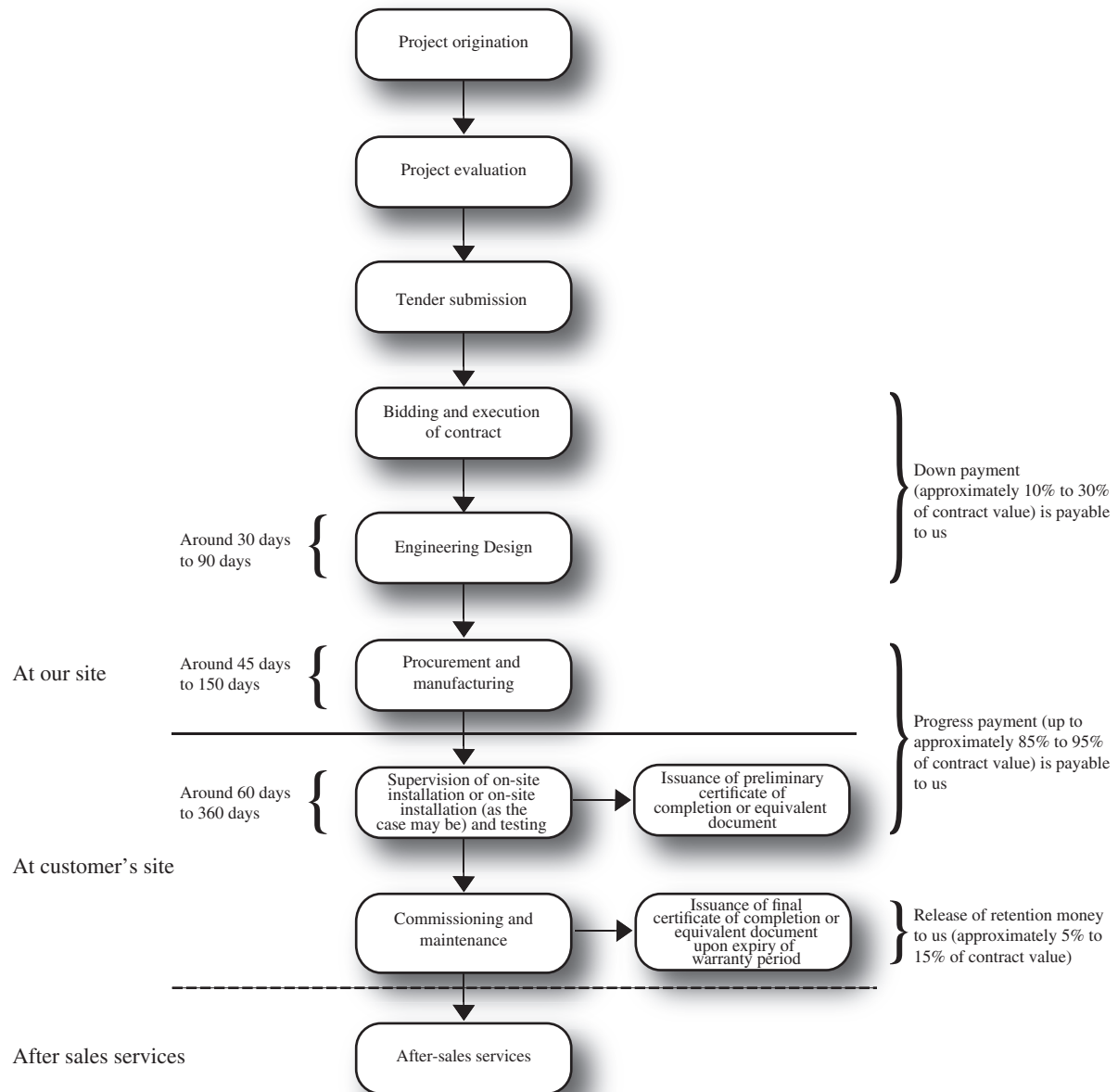
To complement our project delivery services, we also provide after-sales services to our customers, which may include offering spare parts and components, repair and replacement, and on-site engineering and maintenance services. In general, our after-sales services are provided to our customers free of charge during the warranty period (which is usually a period of 12 months from the issue of preliminary certificate of completion or 18 to 36 months after the delivery of our products to the site, whichever period ends earlier). After expiry of the warranty period, we will charge our customers for our after-sales services. We recorded revenue of approximately RMB0.19 million for the year ended 31 December 2012 from our after-sales services offered to our customer after the expiry of the warranty period. No such revenue from our after-sales services was recorded in 2013, 2014 and the three months ended 31 March 2015. We believe that provision of after-sales services not only enables us to retain the business relationship with our customers, it also allows us to improve our products by better understanding our customers' needs and their feedback on our products.

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Our business flow

The key elements of our business flow include: (i) project evaluation and tender submission; (ii) engineering design; (iii) procurement and manufacturing; (iv) supervision of on-site installation (or on-site installation) and testing; and (v) commissioning and maintenance.

The following diagram illustrates our business flow:



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Project Origination

We generally secure our projects directly with customers through our sales and marketing networks, referrals or open tenders. As our atmospheric pollution control solutions and products are highly customised, personnel of our sales and marketing team and production team seek to understand the requirements and technical specifications of potential customers, including emission standards, through initial discussion with the potential customers or obtaining the tender documents of the potential customers.

Project Evaluation

After we become aware of a potential project, we will conduct an initial evaluation to assess various factors including (a) our compatibility with the qualification criteria specified for the project; (b) sufficiency of our resources; and (c) costs and potential profitability of the project, prior to deciding whether to pursue such project.

If our initial evaluation of a potential project is favourable, we will then conduct a detailed assessment of the technical and commercial features of the project, which may involve onsite inspections to allow us to accurately estimate timing and resource requirements of the potential project in order to prepare a competitive and profitable bid. Such an assessment generally involves the following analysis:

- analysis of material and equipment costs, labour costs and related costs;
- credit analysis on the potential customer and terms of payment; and
- performance analysis on the allocation of our internal resources in performing the project.

Tender Submission

After we determine that such project is feasible in principle, we would commence further rounds of discussions with potential customers with a view to finalising the contract in respect of the project, or prepare and deliver tender submissions in case of a competitive bidding process.

Bidding and Execution of Contract

Our projects are usually awarded to us through direct negotiations or tender process which includes tender invitation and public bid invitation. Direct negotiations are one-on-one negotiations between our customer and us. It is non-public and does not involve competition with other atmospheric pollution control solution service providers. Contrary to direct negotiations, we have to compete with other service providers in a tender process, whether it is a tender invitation or a public bid invitation. The key difference between tender invitations and public bid invitations is that tender invitations are targeted to a defined group of service providers while public bid invitations are open to public bidding by all service providers.

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In general, domestic projects may be awarded to us through direct negotiations or tenders, whereas overseas projects are awarded to us through direct negotiations. The following table sets out the number and means of award of domestic and overseas projects to us during the Track Record Period:

	Year ended 31 December			Three months ended
	2012	2013	2014	31 March 2015
<i>Domestic projects</i>				
Through direct negotiation	36	36	46	9
Through tender	14	40	37	6
Total	50	76	83	15
<i>Overseas projects</i>				
Through direct negotiation	3	6	5	3
Through tender	—	—	—	—
Total	3	6	5	3

For illustration purpose, the following table sets out the number of tenders submitted by, and awarded to, our Group and the overall tender success rate during the Track Record Period:

	Year ended 31 December			Three months ended
	2012	2013	2014	31 March 2015
Number of tender submitted	75	125	142	36
Number of contracts awarded	14	40	37	6
Overall tender success rate	18.7%	32.0%	26.1%	16.7%

Pre-qualification review

Depending on the requirements of a proposed project, a tender process may involve a pre-qualification stage, in which case, all interested bidders, including our Group, are required to undergo a qualification assessment review before allowed to bid for a project. In a pre-qualification stage, we are generally required to submit qualification information concerning our qualifications, financial position, operation history, track record of projects undertaken by us and the availability of our resources.

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Bidding strategy and pricing

We typically determine our pricing in the bidding phase of a project. Accurate pricing for a project is important to ensure costs incurred are covered and acceptable profit margins are achieved. We determine our price quotation and subsequently submit the bid based on comprehensive and careful estimation of engineering design costs, procurement and manufacturing costs and management fees and expenses that may be incurred throughout the project. In addition, when determining the pricing of a project, we rely on our past experience and information collected during the project evaluation phase, and take into account factors such as the difference in site conditions and specifications as compared to those in our previous similar projects, the availability and pricing of materials, qualifications and level of experience of our staff to be engaged, and the pricing offered by our competitors.

Execution of contract

If the potential customer under direct negotiations is satisfied with our custom-made technical design and specification adopted for a particular project and decides to engage us as its supplier, or alternatively, if we are selected after the bid evaluation, we will then enter into a contract with the potential customer. For details of the terms a typical contract entered into by us with our customers, please refer to the section headed “Business — Our Atmospheric Pollution Control Solutions — Our Contracts” in this prospectus.

Engineering Design

As our atmospheric pollution control solutions are tailor-made in each project to cater for each customer’s requirements and technical specifications, engineering design is a key part of our projects. During the engineering design phase, our production and engineering team reviews project requirements based on our experience, know-how and available technology. It then carries out design work that involves (i) preparation of various design materials, consisting of conceptual designs, followed by detailed and specific engineering design, for the equipment and technologies to be used; (ii) selection of materials and parts based on the detailed design; and (iii) completion of the design of the overall system necessary to meet applicable regulatory requirements and our customer’s specifications. The length of time required for engineering design varies by project size, specifications and technical requirements of our customers. In general, the engineering design phase takes between one to three months, depending on the project size, specifications and technical requirements of our customers.

Procurement and Manufacturing

Depending on our customers’ request, the key parts and components of our atmospheric pollution control systems are either manufactured in-house by us or procured by us from the suppliers as designated by our customers pursuant to the relevant contracts. We currently have the ability to manufacture the key parts and components of the atmospheric pollution control devices for our customers. Save for the parts and components which our customers have specifically requested for designated brand/supplier pursuant to the relevant contracts, the key parts and components of our atmospheric pollution control system were manufactured in-house by us during the Track Record

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Period. This, therefore, enhances our competitive edge by lowering our operating costs and offering us flexibility in allocating our production resources according to our customers' needs. The duration of the procurement and manufacturing phase varies on a project by project basis. In general, the procurement and manufacturing phase may take between 45 days to 150 days, mainly depending on the project size, specifications and technical requirements of our customers.

We generally procure key raw materials, parts and components required for our projects through our list of approved suppliers. We invite tenders or obtain quotes from our suppliers and make purchase from the suppliers having regard to, inter alia, their price competitiveness, quality and timing of delivery.

Upon completion of the manufacturing process, our products are subject to in-house inspection before packaging and delivery to our customers to ensure that the products meet our strict quality control and specifications as well as those of our customers.

Supervision of On-site Installation/On-site Installation and Testing

We normally will be responsible for delivering, with the logistics support from logistics companies, our products together with related accessories to the site as designated by our customers for on-site installation and testing. Please refer to the section headed "Business — Our Atmospheric Pollution Control Solutions — Our Contracts — Delivery and transportation" in this prospectus for further details.

During the installation process, we generally offer training, technical advices and supervision to ensure that our products are installed correctly and in accordance with all relevant specifications and standards. Our customers may carry out on-site installation work themselves with the support of our technical guidance. If our customers request, we would also arrange for personnel to undertake on-site assembly and installation work. In general, the on-site installation process may take around 60 days to 360 days, depending on the customers' progress of the overall construction schedule.

Subject to the satisfaction of the relevant on-site inspection and testing procedures with reference to the technical specifications of our customers after the product is put into trial operation, our customers may issue to us a preliminary certificate of completion (初步驗收證明書) or an equivalent document confirming our customers' preliminary acceptance of our products, which typically marks the commencement of the commissioning phase of the project concerned.

Commissioning and Maintenance

During commissioning phase, we generally are required to provide consultation, maintenance and emergency services to ensure the smooth operation of the our atmospheric pollution control system during the relevant warranty period. The warranty period provided in our contracts is generally 18 to 36 months after the date of delivery of our products, or 12 months after the date of issue of the preliminary certificate of completion or an equivalent document confirming our customers' preliminary acceptance of our products, whichever period ends earlier. At the expiry of the warranty

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period, final testing will be conducted on the functionality of our products. After passing the final testing, our customers will issue to us the final certificate of completion (最終驗收證明書) or equivalent document confirming our customers' final acceptance of our products, which signifies the completion of the project.

After-sales Services

To complement our project delivery services, we also provide after-sales services to our customers. Our after-sales services offer spare parts and components, repair and replacement, and on-site maintenance and engineering services. In general, our after-sales services are provided to our customers free of charge during the warranty period. After expiry of the warranty period, after-sales services will generally be provided to our customers at a fee to be agreed between our customer and us. With our technical and engineering expertise, we believe that our ability to provide timely and responsive after-sales services could help enhance the level of customers' satisfaction and hence further strengthen our business relationship with them.

Our Contracts

In general, we enter into a contract with our customer on a project basis. Our typical contracts include terms that govern specifications and configurations of our products, service fees, payment method and schedule, packaging and logistics requirements, product inspection and testing procedures, provision of technical and training services, insurance requirements and warranty periods.

Contracts entered into by us during the Track Record Period for projects in relation to our provision of atmospheric pollution control solutions typically contained the following salient terms:

— *Pricing terms*

We generally adopt fixed price terms, which are determined at the direct negotiation or tender stage. For details of our pricing policy, please refer to the sections headed “Business — Our atmospheric pollution control solutions — Our business flow — Bidding and Execution of Contract — Bidding strategy and pricing” and “Business — Pricing Policy” in this prospectus.

— *Payment*

A customer is normally required to make payment to us based on the following schedule:

- approximately 10% to 30% of the contract value as down payment either upon signing of the contract or after we have provided the delivery schedule, quality assurance plan and project design specifications to our customer;
- approximately 20% to 30% of the contract value based on the progress of our production schedule (such payment term is provided for in a contract on a case-by-case basis depending on our negotiation with customers);

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- in aggregate with the payments made to us as down payment and progress payment (if any), up to 85% to 95% of the contract value upon the issuance of preliminary certificate of completion or equivalent document confirming the preliminary acceptance of our products by our customer; and
- the remaining 5% to 15% of the contract value as retention money for the warranty period, which usually ends at the earlier of 18 to 36 months after the products have been delivered to the site, or 12 months after the issuance of preliminary certificate of completion or equivalent document confirming the preliminary acceptance of our products by our customers.

— *Credit terms*

In general, no credit terms are stipulated in the contracts we entered into with our customers. The turnover days of our trade receivables were 91.3 days, 146.5 days, 112.8 days and 126.3 days for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. As at 31 December 2012, 2013 and 2014 and 31 March 2015, our trade and bills receivables amounted to approximately RMB271.4 million, RMB330.0 million, RMB294.5 million and RMB269.5 million, respectively. Our customers settle payments with us mainly by bank acceptance notes or telegraphic transfers. Sales are principally denominated and settled in Renminbi and US dollars. For further details of our Group's trade receivables, please refer to the section headed "Financial Information — Liquidity and Capital Resources — Trade and Bills Receivables" in this prospectus.

— *Delivery and transportation*

For domestic projects, we are usually required to deliver, at our own costs, the product, together with all requisite materials and components to our customer's site at a delivery date to be agreed upon between the parties to facilitate on-site installation and assembly. For our products to be installed in overseas project, we generally have the obligation to arrange the transportation, at our own costs, of our products from our production facilities to the port of shipment in the PRC only, and the shipping fee for delivering our products from the local port to overseas country is generally borne by our customer. We are normally required to bear the insurance cost in respect of liabilities that may be incurred in the course of delivery of our products to customer's site for domestic projects or to the port of shipment in the PRC only for overseas projects.

— *Quality and progress supervision*

Both of the quality and delivery timeframe of our products may affect the commissioning schedule of the project owners' power plants or industrial production plants. Therefore, we generally allow the engineers or other personnel with the technical expertise as designated by our customer to conduct inspection and/or testing at our production sites. In addition, for the purpose of progress monitoring, we are normally required to submit a production plan of our customer's project for the forthcoming month to our customer.

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— *On-site installation and testing*

We generally are responsible for arranging technical personnel to provide guidance on on-site assembly, installation, inspection and testing procedures at our customer's site; and if our customer requests, we would also arrange for personnel to undertake the on-site assembly and installation work. Should there be any defects, deficiencies or quality mismatches identified in the course thereof which renders our product unfit for use, we are normally responsible for the repair and/or replacement of the components and/or parts concerned to ensure operational smoothness.

— *Warranty period*

The warranty period provided in our contracts is generally 18 to 36 months after the date of delivery of our products, or 12 months after the date of issue of the preliminary certificate of completion, whichever is earlier. A warranty period may be extended to cover the corresponding period of system halt or installation delay due to repairing work on our fault. If during the warranty period, there are quality issues in respect of our products on account of our fault, we will be required to repair or replace the defective parts at no cost. As our customer generally withholds an amount equal to 5% to 15% of the contract value as retention money for any defects in the quality of our work, we do not make provision for warranties of our projects. As at 31 December 2012, 2013 and 2014 and 31 March 2015, the total amount of retention money held by our customers was approximately RMB22.7 million, RMB53.2 million, RMB25.5 million and RMB18.0 million, respectively.

Our Directors confirmed that there had been no losses suffered or costs incurred during the Track Record Period and up to the Latest Practicable Date as a result of customers' complaints and claims, either actual or threatened, against our Group in relation to problems with the quality of our products. Our Directors confirmed that the amount of contracts obtained by our Group is not subject to any seasonal fluctuation.

REVENUE RECOGNITION POLICY

Revenue generated from our projects on provision of atmospheric pollution control solutions is generally recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. As a result, the timing of revenue recognition of our projects depends on the progress of our manufacture process, as well as the product delivering schedule as determined by our customers, which in turn depends on our customers' progress of the overall construction schedule of the relevant project, particularly the progress of the requisite preparatory work before on-site installation and testing of our products could take place. As some of our customer's construction projects may take more than a year to complete, part of our revenue to be recognised during a financial year may be related to contracts entered into by us in the preceding financial years. For the detail of our revenue recognition policy, please refer to the section headed "Financial Information — Critical accounting policies, judgements and estimates" of this prospectus.

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BACKLOG AND NEW CONTRACT VALUE

Backlog

Backlog represents our estimate of the contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date. Such estimates are based on the assumption that the relevant contracts will be performed in accordance with their terms. However, many contracts are subject to work scope adjustments due to engineering issues or modification, termination or suspension by the customers. Any modification, termination or suspension of these contracts by our customers, especially with regard to any one or more sizeable contracts, may have a substantial and immediate impact on our backlog. The term of the projects reflected in our backlog may be extended due to various factors beyond our control, in which case such projects may remain as part of our backlog for an extended period of time. Adding new contracts also has a direct impact on our backlog. Our contracts are generally fixed-price contracts with an agreed completion schedule. If special event occurs during the term of our contract, such as significant increase in raw material price, we may enter into supplemental agreement with our customer to adjust the contract amount. In addition, backlog is not a measure defined by generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlogs. Due to various reasons, including projects commencing and ending within a short period of time, not all revenue is recorded in backlog information. Therefore, our backlog information only reflects the general volume of our future projects under contract and may not be indicative of future operating results. Investors should not unduly rely on our backlog information or consider it a reliable indicator of our future profits and results of operations. Please refer to the risk factor headed “Our backlog may not be a reliable indicator of our future results of operations” in the section headed “Risk Factors” in this prospectus.

Our backlog includes ongoing projects as well as uncommenced projects. The aggregate value of the projects in our backlog (including applicable VAT) as at 31 March 2015 amounted to approximately RMB1,669.4 million (which included the outstanding contract sum of two subsisting contracts entered into by TGL (one of which was novated by TGL to us on 1 July 2015) of approximately RMB25.9 million and RMB4.0 million, respectively). For details of the two subsisting contracts, please refer to the section headed “Relationship with Controlling Shareholders — Independence of Management, Financial and Operation” in this prospectus.

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The following tables set out the number of contracts, initial contract sum, amount of revenue recognised as at 31 December 2012, 2013 and 2014 and 31 March 2015 and outstanding amount of revenue to be recognised relating to our projects in the backlog by types of atmospheric pollution control solutions:

	As at 31 December 2012					Recognised revenue during the period from	Estimated amount of revenue to be recognised for	
	Number of contracts	Initial contract Sum	Net value of contract	Recognised Revenue	Estimated backlog	1 January	the nine months	the year
		(including VAT)	(excluding VAT)			31 March	ending 31	ending 31
		RMB'000	RMB'000			RMB'000	RMB'000	RMB'000
Ash removal and transfers								
- Electrostatic precipitator .	56	1,197,390	1,032,863	439,265	593,598	443,056	27,163	123,379
- Electrostatic-bag composite precipitator .	10	111,221	97,174	32,158	65,016	55,614	9,402	—
- Bag filter precipitator . .	9	110,386	97,303	25,571	71,732	47,292	6,960	17,480
- Others (e.g. Pneumatic ash conveying system) .	5	10,700	9,146	4,358	4,788	4,788	—	—
SO ₂ and NO _x emission reduction (desulfurisation and denitrification devices) .	1	900	769	—	769	769	—	—
Total	81	1,430,597	1,237,255	501,352	735,903	551,519	43,525	140,859

	As at 31 December 2013					Recognised revenue during the period from	Estimated amount of revenue to be recognised for	
	Number of contracts	Initial contract Sum	Net value of contract	Recognised Revenue	Estimated backlog	1 January	the nine months	the year
		(including VAT)	(excluding VAT)			31 March	ending 31	ending 31
		RMB'000	RMB'000			RMB'000	RMB'000	RMB'000
Ash removal and transfers								
- Electrostatic precipitator .	66	1,267,172	1,092,610	264,814	827,796	412,354	136,114	279,328
- Electrostatic-bag composite precipitator .	11	174,061	150,659	11,295	139,364	33,726	39,393	66,245
- Bag filter precipitator . .	12	180,986	157,099	28,311	128,788	58,647	49,899	20,242
- Others (e.g. Pneumatic ash conveying system) .	7	10,321	9,679	—	9,679	9,187	492	—
SO ₂ and NO _x emission reduction (desulfurisation and denitrification devices) .	4	136,223	116,430	—	116,430	32,732	4,000	79,698
Total	100	1,768,763	1,526,477	304,420	1,222,057	546,646	229,898	445,513

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	As at 31 December 2014					Recognised revenue during the period from	Estimated amount of revenue to be recognised for	
	Number of contracts	Initial contract Sum (including VAT)	Net value of contract (excluding VAT)	Recognised Revenue	Estimated backlog (excluding VAT)	1 January 2015 up to 31 March 2015	the nine months ending 31 December 2015	the year ending 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Ash removal and transfers								
- Electrostatic precipitator	56	1,755,723	1,567,825	391,212	1,176,613	121,200	535,603	519,810
- Electrostatic-bag composite precipitator	9	164,876	142,184	7,487	134,697	7,628	39,486	87,583
- Bag filter precipitator	11	149,637	130,305	30,755	99,550	20,914	50,055	28,581
- Others (e.g. Pneumatic ash conveying system)	2	6,071	6,046	5,240	806	168	638	—
SO ₂ and NO _x emission reduction (desulfurisation and denitrification devices)	5	141,622	123,369	26,340	97,029	4,389	12,858	79,782
Total	83	2,217,929	1,969,729	461,034	1,508,695	154,299	638,640	715,756

	As at 31 March 2015					Estimated amount of revenue to be recognised for	the nine months ending 31 December 2015		the year ending 31 December 2016
	Number of contracts	Initial contract sum (including VAT)	Net value of contract (excluding VAT)	Recognised revenue	Estimated backlog (excluding VAT)	December 2015	December 2016		
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
Ash removal and transfers									
- Electrostatic precipitator	57	1,872,492	1,607,382	482,219	1,125,163	562,941	562,222		
- Electrostatic-bag composite precipitator	8	158,926	135,834	8,616	127,218	39,535	87,683		
- Bag filter precipitator	11	149,637	127,895	49,218	78,677	50,055	28,622		
- Others (e.g. Pneumatic ash conveying system).	6	16,467	14,074	5,608	8,466	8,466	—		
SO ₂ and NO _x emission reduction (desulfurisation and denitrification devices)	5	141,622	123,369	30,729	92,640	12,858	79,782		
Total	87	2,339,144	2,008,554	576,390	1,432,164	673,855	758,309		

Notes:

- For illustration purpose, the estimated backlog set out in the above tables is exclusive of the applicable VAT. The estimated backlog as at 31 December 2012, 2013 and 2014 and 31 March 2015, inclusive of applicable VAT, amounted to approximately RMB848.9 million, RMB1,419.1 million, RMB1,754.4 million and RMB1,669.4 million, respectively.

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2. The estimated amounts of revenue to be recognised for the period/year ending 31 December 2015 and 2016 were estimated based on (i) the percentage of completion method with reference to the forecasted production schedule of the relevant contracts; and (ii) the assumption that the relevant contracts will be performed in accordance with their terms. The actual amount of revenue to be recognised in the relevant period will be different from the estimated amount of revenue if there is any modification, termination or suspension of the relevant contracts by our customers or any delay in the production schedule of the contracts. Therefore, investors should not unduly rely on our backlog information or consider it a reliable indicator of our future profits and results of operations.

The following tables set out the number of contracts, initial contract sum, amount of revenue recognised as at 31 December 2012, 2013 and 2014 and 31 March 2015 and the outstanding amount of revenue to be recognised relating to our projects in the backlog by types of projects:

	Number of contracts	As at 31 December 2012				Recognised revenue during the period from	Estimated amount of revenue to be recognised for	
		Initial contract Sum (including VAT)	Net value of contract (excluding VAT)	Recognised Revenue	Estimated backlog (excluding VAT)	1 January 2013 up to 31 March 2015	the nine months ending 31 December 2015	the year ending 31 December 2016
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Newly installed.	76	1,426,095	1,233,393	498,607	734,786	550,402	43,525	140,859
Upgrading/modification . . .	5	4,502	3,862	2,745	1,117	1,117	—	—
Total	81	1,430,597	1,237,255	501,352	735,903	551,519	43,525	140,859

	Number of contracts	As at 31 December 2013				Recognised revenue during the period from	Estimated amount of revenue to be recognised for	
		Initial contract Sum (including VAT)	Net value of contract (excluding VAT)	Recognised Revenue	Estimated backlog (excluding VAT)	1 January 2014 up to 31 March 2015	the nine months ending 31 December 2015	the year ending 31 December 2016
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Newly installed.	83	1,598,216	1,379,679	282,571	1,097,108	452,609	222,421	422,078
Upgrading/modification . . .	17	170,547	146,798	21,849	124,949	94,037	7,477	23,435
Total	100	1,768,763	1,526,477	304,420	1,222,057	546,646	229,898	445,513

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	As at 31 December 2014					Recognised revenue during the period from	Estimated amount of revenue to be recognised for	
	Number of contracts	Initial contract	Net value of contract	Recognised Revenue	Estimated backlog (excluding VAT)	1 January 2015 up to 31 March 2015	the nine	the year
		Sum	(excluding				months	ending 31
		(including VAT)	VAT)				December	December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Newly installed.	58	1,946,748	1,732,961	338,361	1,394,600	132,945	579,445	682,210
Upgrading/modification	25	<u>271,981</u>	<u>236,768</u>	<u>122,673</u>	<u>114,095</u>	<u>21,354</u>	<u>59,195</u>	<u>33,546</u>
Total	83	2,217,929	1,969,729	461,034	1,508,695	154,299	638,640	715,756

	As at 31 March 2015					Estimated amount of revenue to be recognised for	
	Number of contracts	Initial contract	Net value sum of contract	Recognised revenue	Estimated backlog (excluding VAT)	the nine	the year
		(including	(excluding			months	ending 31
		VAT)	VAT)			December	December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Newly installed	67	2,095,039	1,795,785	457,889	1,337,896	613,140	724,756
Upgrading/modification	20	<u>244,105</u>	<u>212,769</u>	<u>118,501</u>	<u>94,268</u>	<u>60,715</u>	<u>33,553</u>
Total	87	2,339,144	2,008,554	576,390	1,432,164	673,855	758,309

Notes:

- For illustration purpose, the estimated backlog set out in the above tables is exclusive of the applicable VAT. The estimated backlog as at 31 December 2012, 2013 and 2014 and 31 March 2015, inclusive of applicable VAT, amounted to approximately RMB848.9 million, RMB1,419.1 million, RMB1,754.4 million and RMB1,669.4 million, respectively.
- The estimated amounts of revenue to be recognised for the period/year ending 31 December 2015 and 2016 were estimated based on (i) the percentage of completion method with reference to the forecasted production schedule of the relevant contracts; and (ii) the assumption that the relevant contracts will be performed in accordance with their terms. The actual amount of revenue to be recognised in the relevant period will be different from the estimated amount of revenue if there is any modification, termination or suspension of the relevant contracts by our customers or any delay in the production schedule of the contracts. Therefore, investors should not unduly rely on our backlog information or consider it a reliable indicator of our future profits and results of operations.

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New Contract Value

New contract value represents the aggregate value of the contracts we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. Our aggregate new contract value for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 amounted to approximately RMB479.2 million, RMB1,246.2 million, RMB1,167.9 million and RMB177.4 million, respectively.

CUSTOMERS

Our customers include project owners or third-party contractors which outsource to us certain parts of a project. The table below sets out the breakdown of our revenue from continuing operations by customer classification during the Track Record Period:-

	Year ended 31 December						Three months ended 31 March 2015	
	2012		2013		2014		March 2015	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Project owners	341,976	61.8	422,538	71.1	607,672	77.7	134,530	85.9
Third-party contractors	211,567	38.2	171,520	28.9	174,233	22.3	22,115	14.1
Total	553,543	100.0	594,058	100.0	781,905	100.0	156,645	100.0

Note: In the context of the above customer classification, Deemed Customers (as defined below) were considered as our customers for illustration purpose.

Our atmospheric pollution control systems are generally installed at production facilities of power generation industry, metallurgical industry, paper mill and other industries. Thus, most of our revenue was generated from the above industries during the Track Record Period. The table below sets out the breakdown of our revenue from continuing operations by industry segments during the Track Record Period:-

	Year ended 31 December						Three months ended 31 March 2015	
	2012		2013		2014		March 2015	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Power generation	489,346	88.4	496,464	83.6	677,646	86.7	140,102	89.4
Metallurgical	8,565	1.5	47,605	8.0	8,255	1.1	804	0.5
Paper mill	18,687	3.4	8,119	1.4	20,032	2.6	199	0.2
others	36,945	6.7	41,870	7.0	75,972	9.6	15,540	9.9
Total	553,543	100.0	594,058	100.0	781,905	100.0	156,645	100.0

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The majority of our revenue is derived from the PRC domestic market. Revenue from domestic market accounted for approximately 96.7%, 99.0%, 96.5% and 94.4% of our total revenue from continuing operations for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. In addition to the domestic market, we have also sold our products for overseas projects during the Track Record Period, through contracting with PRC subsidiaries of overseas enterprises, including overseas environmental engineering enterprises.

Our Controlling Shareholder, TGL, was our largest customer and one of our top five customers in 2012 and 2013, accounting for approximately 31.0% and 7.7% of our total revenue from continuing operations, respectively. TGL was our predecessor which carried on our business of provision of atmospheric pollution control solutions before the transfer of such business to our Company in 2010. As a transitional arrangement for those subsisting contracts relating to provision of atmospheric pollution control solutions entered into by TGL before the business transfer in October 2010, TGL and our Company agreed that we shall be responsible for the design and manufacture of the products in accordance with the subsisting contracts, and TGL shall pay us the corresponding contract amount after the relevant customers settled the same with TGL. As such, TGL was considered as our customer under such transitional arrangement pursuant to the applicable accounting principles. Starting from around November 2010, we have entered into contracts with our customers directly. Save for two subsisting contracts, one of which was novated to us on 1 July 2015, all other subsisting contracts entered into by TGL under such transitional arrangement had been completed as at the Latest Practicable Date. For details of the two subsisting contracts, please refer to the section headed “Relationship with Controlling Shareholders — Independence of Management, Financial and Operation” in this prospectus.

As there were delays in the construction schedule of the relevant power plants of our Deemed Customers (as defined below) under certain subsisting contracts entered into by TGL, this in turn resulted in our delayed receipt of progress payments from TGL. Accordingly, it took us a long period of time to recognise a portion of revenue of certain subsisting contracts entered into by TGL. For details of our risk associated with delays in progress payment, please refer to the risk factor headed “We may experience delays in trade and bills receivables, progress payments or releases of retention monies for the warranty period by our customers, which in turn may adversely affect our cash flow position” in the section headed “Risk Factors” in this prospectus. For details about our revenue recognition policy, please refer to the sections headed “Business — Revenue Recognition Policy” and “Financial Information — Critical accounting policies, judgements and estimates” in this prospectus.

For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our top five customers (including TGL in 2012 and 2013) in aggregate accounted for approximately 62.7%, 39.6%, 25.3% and 42.9% of our total revenue from continuing operations, respectively, while our largest customer accounted for approximately 31.0%, 12.0%, 6.6% and 16.2% of our total revenue from continuing operations, respectively. TGL was our major customer only because of the transitional arrangement as mentioned in the preceding paragraph, and our products were eventually delivered, through TGL, to the counterparties of the subsisting contracts entered into by TGL before the business transfer. Therefore, for illustration purpose, assuming such counterparties were deemed to be our customers (collectively, “**Deemed Customers**”) as if the subsisting contracts were entered into by our Company, our top five Deemed Customers would account for approximately 42.0% and 37.5% of our total revenue, respectively, while our largest Deemed Customer would

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account for approximately 17.6% and 12.0% of our total revenue, respectively, for the years ended 31 December 2012 and 2013. TGL was not among our top five customers for the year ended 31 December 2014 and the three months ended 31 March 2015. All of our top five customers for the year ended 31 December 2014 and the three months ended 31 March 2015 were customers whom we directly entered into contracts with.

During the Track Record Period, most of our top five customers and top five Deemed Customers (in respect of 2012 and 2013) engaged us to provide engineering design, equipment procurement and manufacturing, and technology consultancy services in relation to precipitators. Our top five customers (except TGL) and top five Deemed Customers (in respect of 2012 and 2013) during the Track Record Period comprised PRC power enterprises, environmental protection engineering companies, contractors and manufacturers of aluminium products, all of which are based in the PRC. We have established business relationships with our top five customers (except TGL) and top five Deemed Customers (in respect of 2012 and 2013) ranging from one to five years.

During the Track Record Period, save for TGL, none of our Directors, Supervisors or their respective close associates, or any Shareholder who, to the best of knowledge of our Directors, holds more than 5% of our issued share capital, had any interest in any of the above five largest customers and five largest Deemed Customers.

During the Track Record Period, we have sold raw materials to our related parties. The total amount of raw materials we sold to related parties was approximately RMB16.1 million, RMB20.8 million, RMB5.3 million and RMB0.5 million for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. Please refer to the section headed “Financial Information — Related Parties Transactions” in this prospectus for details.

Overlapping of Customer and Supplier

During the Track Record Period, TGL, one of our top five customers, was also one of our suppliers. As mentioned above, TGL was our largest customer and one of our top five customers in 2012 and 2013, respectively, as a result of the transitional arrangement in relation to the subsisting contracts relating to the provision of atmospheric pollution control solutions entered into by TGL before the transfer of business to us in 2010. Sales of our products to TGL for subsisting contracts amounted to approximately RMB162.3 million and RMB30.5 million, respectively, representing approximately 29.3% and 5.1% of our revenue in 2012 and 2013, respectively. During the Track Record Period, we had purchased raw materials, such as steel, from third-party suppliers, through TGL and its subsidiaries at cost. On the other hand, we had in turn sold some raw materials to TGL and its subsidiaries at cost during the Track Record Period. Our total purchases of raw materials from TGL and its subsidiaries amounted to approximately RMB18.4 million and RMB15.6 million, representing approximately 3.8% and 3.0% of our total cost of sales in 2012 and 2013, respectively. In addition, our sales of raw materials to TGL and its subsidiaries amounted to approximately RMB16.1 million and RMB20.8 million, representing approximately 2.9% and 3.5% of our revenue in 2012 and 2013, respectively.

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PROCUREMENT, RAW MATERIALS, PARTS AND COMPONENTS AND SUPPLIERS

Procurement

Our purchasing and procurement team is responsible for procuring raw materials, parts and components according to our manufacturing needs, monitoring the performance of suppliers, managing our overall procurement budget and handling ongoing liaison work with existing or potential suppliers. We have in place a procurement policy, which is subject to review from time to time. In accordance with our procurement policy, we invite tenders or obtain quotes from suppliers and assess and select suitable suppliers with reference to factors, such as their technical capabilities, competitiveness in price, quality, length of our business relationship and requirements of our customer under that particular project. Please refer to the section headed “Business — Quality Control — Quality control during procurement” in this prospectus for further details regarding quality control during our procurement process.

Raw Materials, Parts and Components

Our key raw materials, parts and components are steel sheets, steel structural components, filter bags, electrical instruments and other component parts for our production of atmospheric pollution control equipment. Our cost of sales primarily consists of cost of raw materials. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our cost of raw materials represented approximately 81.3%, 79.7%, 69.6% and 74.1% of our cost of sales, respectively, among which, the cost of steel represented approximately 55.9%, 55.0%, 48.0% and 48.5% of our cost of sales, respectively.

We did not conduct any hedging activities with respect to the price fluctuation in the raw materials during the Track Record Period. For the sensitivity analysis of the impact of hypothetical changes in the cost of steel, which is our principal raw material, on our gross profit during the Track Record Period, please refer to the section headed “Financial Information — Factors Affecting Our Results of Operations — Cost of Raw Materials” in this prospectus.

Suppliers

Our suppliers mainly comprise (i) suppliers of raw materials, parts and components, (ii) manufacturers who provide processing services, and (iii) service providers who provide auxiliary services in respect of on-site installation work.

Suppliers of raw materials, parts and components

It is our policy to make procurement only from an approved list of suppliers. In order to ensure that we do not overly rely on one supplier for a particular type of raw material, part or component, we work with a number of suppliers for each type of raw materials, parts and components. During the Track Record Period, we procured raw materials, parts and components mainly from domestic suppliers. Our suppliers of raw materials, parts and components usually accept payments by bank acceptance notes or telegraphic transfers.

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As we mainly offer atmospheric pollution control solutions to our customers on a project basis, we generally only enter into purchase agreements, or place orders, with our suppliers on a project basis, such that our procurement of raw materials, parts or components is made in accordance with the requirements and technical specifications of our customers. The purchase agreements or purchase orders we enter into with our suppliers typically specify the raw materials, parts or components required and the price for these items. We do not enter into any long-term supply contract with our suppliers. However, in view of our stable business relationship with our suppliers and the availability of a number of alternate sources of raw materials, parts or components, we have not experienced any material shortage or delay in supply of raw materials, parts or components from our suppliers during the Track Record Period.

The purchase prices of our raw materials, parts and components are generally determined with reference to the prevailing market conditions. However, since we usually make procurement arrangement with suppliers after we have entered into the fixed-price contracts with our customers, we generally would not be able to pass on any increase in material costs to our customers if we experience an unexpected increase in material costs during the period from signing of a fixed-price contract to placing the relevant purchase order with our suppliers. For details, please refer to the risk factor headed “If we are unable to accurately estimate and control overall risks or costs of our fixed-price contracts, or if we fail to execute within our cost estimates, we may experience cost overruns, lower profitability or even losses on projects under such contracts” in the section headed “Risk Factors” in this prospectus.

Third-party manufacturers

During the Track Record Period, we engaged third-party manufacturers to provide processing services for parts and components for our projects in order to more efficiently meet market demand. We generally outsource the processing work of non-key parts and components of a project which do not require sophisticated technology to third-party manufacturers. Despite the outsourced processing arrangements, we remain responsible for the procurement and manufacturing of the key parts and components and the engineering design, technology consultancy, quality control, and supervision of the overall progress of the relevant projects.

We enter into agreements with the third-party manufacturers on project basis. We generally select the third-party manufacturers based on factors such as their production capacity, technical capability and quality of work. The processing fees are determined based on the specifications of the products, the costs of raw materials and labour costs. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the processing fees payable by us to the third-party manufacturers amounted to approximately RMB89.1 million, RMB61.3 million, RMB140.5 million and RMB5.5 million, representing approximately 18.0%, 11.9%, 22.0% and 4.4% of our cost of sales, respectively. We have approximately one to four years of business relationship with these third-party manufacturers.

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Service providers

During the Track Record Period, we engaged service providers, which may be PRC entities or individuals, to provide auxiliary services to us in respect of on-site installation work. The auxiliary services provided by these service providers are rather simple and no special technique is required. We generally assign on-site stationed supervisor to monitor the progress of our projects and supervise the service providers as well as examine the work performed by the service providers. These service providers were generally engaged by us on a project basis from time to time. The individual service providers generally resided in close proximity to the sites of our customers, which were usually located in rural area. In view of the scarcity of local banking facilities in rural area, which make the collection of bank payment difficult, these individual service providers preferred to receive payments in cash. Therefore, these individual service providers arranged for personnel who might be one of our employees, our employees' relatives, the service providers or other third parties (the “**Service Provider Representatives**”) to receive, on their behalf, the service fees from our Group in cash during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the service fees in the amount of approximately RMB21.2 million, RMB32.0 million, RMB48.8 million and nil were received by the Service Provider Representatives on behalf of these individual service providers.

To ensure that the Service Provider Representatives had made onward payments of the relevant service fees to the individual service providers, we generally required the Service Provider Representatives to arrange for the individual service providers to acknowledge the receipt of service fees and provide such acknowledgement of receipt for our record. We then performed random check on the work records of the individual service providers and the receipt records of service fees provided by the Service Provider Representatives to ensure that the relevant individual service providers were paid accordingly. We would also check to ensure that the total amount of service fees acknowledged by the individual service providers reconciled with the total amount of the invoices issued to us.

Pursuant to the applicable laws, rules and regulations, each individual service provider (i.e. the payee) shall apply to the relevant taxation bureau for issuance of “Construction Industry Uniform Invoice (Issuance of Invoices on Behalf of Others) (建築業統一發票(代開))” (the “**Invoice(s)**”) to our Group. Nonetheless, during the Track Record Period, not each of the individual service providers applied to the relevant taxation bureau for issuance of the Invoices to our Group. Instead, the Service Provider Representatives, who acted as representatives of the individual service providers, were presented to the taxation bureau as the payee. As a result, the payee specified in the Invoices was one of the Service Provider Representatives who might not be the actual service provider, or even if such Service Provider Representative was an actual service provider himself, his Invoice did not reflect the actual amount received by him only, but also the service fees paid by our Group to other service providers whom he represented which were also aggregated in such Invoice. Thus, this was technically inconsistent with the factual circumstances and therefore was not in full compliance with the Measures of the People's Republic of China on the Administration of Invoices (中華人民共和國發票管理辦法) (the “**Non-compliance Incident**”). Despite the above non-compliance, we have accepted and used the Invoices for taxation purpose. Please refer to the section headed “Business — Historical Non-compliance” in this prospectus for further details.

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Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us as a result of or in connection with any non-payment of service fees to the service providers and/or the Non-compliance Incident during the Track Record Period as mentioned above.

Largest suppliers

For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our five largest suppliers accounted for approximately 29.5%, 27.7%, 36.3% and 31.9% of our cost of sales, respectively, while our largest supplier accounted for approximately 6.6%, 8.9%, 17.6% and 9.2% of our cost of sales, respectively. Our five largest suppliers during the Track Record Period mainly comprised suppliers of raw materials and third-party manufacturers which are PRC enterprises principally engaging in manufacturing, processing and/or sales of metal materials or mechanical equipment and parts, as well as a services provider which was principally engaged in construction engineering. Our business relationships with our five largest suppliers during the Track Record Period range from around one to four years.

During the Track Record Period, none of our Directors, Supervisors or their respective close associates, or any Shareholder who, to the best of knowledge of our Directors, holds more than 5% of our issued share capital, had any interest in any of the five largest suppliers.

LOGISTICS

We generally engage third-party logistics companies to provide us with logistics support for transporting finished parts and equipment from our production facilities to our customers' designated locations. We have stable business relationships with five logistics companies, among which we have maintained business relationships with them for one to four years. In general, we enter into agreements with the logistics companies on a project basis, save for the yearly agreement entered into with the logistics company which was engaged for transporting our products to the Shanghai port for overseas projects. Under a typical agreement entered into between a logistics company and us, the logistics company is responsible for any product loss during transportation. If a logistics company causes damages to, or untimely delivery of, our products, we are entitled to seek damages against the logistics company. The fees we pay the logistics companies are typically determined with reference to the weight of items and distances for transportation. Such fees generally cover all the expenses to be incurred by the logistics companies, including insurance costs, tools and any handling fees. During the Track Record Period, none of the logistics companies engaged by us had breached the agreements with us in any material respect.

PRODUCTION

Production facilities

As at the Latest Practicable Date, our production facilities were located in Zhuji City in Zhejiang Province, with a gross floor area of approximately 68,500 sq.m., among which production facilities with a gross floor area of approximately 46,700 sq.m. were located at properties we leased from TGL and the remaining production facilities were located at our self-owned properties. As at the Latest Practicable Date, our production and engineering team comprised 477 full-time employees. As our

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existing production base is in close proximity to our market in the Southeast region of the PRC, this could enhance our cost competitiveness by lowering our overall transportation costs. Please refer to the sections headed “Business — Property Rights” and “Appendix III — Property Valuation” in this prospectus for further details regarding our self-owned and leased properties.

Our production process mainly involves the manufacture of parts and components and the assembling of various parts and components into an atmospheric pollution control system. As our atmospheric pollution control systems are customised according to our customers’ technical specification, each of them may differ in the materials, parts and components used, design plans, dimensions, and application and performance. Thus, the materials, parts and components that we fabricate cannot be standardised in terms of tonnage, length or numbers for the purposes of computing fabrication capacity and the utilisation rate of our production facilities.

Despite we are unable to accurately calculate the fabrication capacity and the utilisation rate, we consider that our fabrication capacity is limited by our production floor area, fabrication equipment and manpower.

To capitalise on the fast-growing market needs for atmospheric pollution control solutions in the PRC, we proposed to expand our fabrication capacity by establishing new production facilities in Turpan City, Xinjiang Province and Pinghu City, Zhejiang Province, as well as recruiting additional engineers, technicians and workers for our existing production facilities in Zhuji City, Zhejiang Province.

Expansion plan

New production facilities in Turpan City, Xinjiang Province

Our new production facilities in Turpan City, Xinjiang Province will comprise production plant, staff dormitory and ancillary facilities with a total gross floor area of approximately 38,000 sq.m.. A portion of the new production facilities in Xinjiang Province which comprises a single storey workshop with a total gross floor area of approximately 11,700 sq.m. is under construction and is scheduled for completion in the second half of 2015. As at the Latest Practicable Date, this single storey workshop has commenced trial production since July 2015, while the commercial production is expected to commence in the second half of 2015 after we have obtained the building ownership certificate.

The remaining portion of the new production facilities will comprise production plant, staff dormitory and ancillary facilities with a total gross floor area of approximately 26,300 sq.m.. The construction of the remaining portion of the new production facilities is expected to commence in the second half of 2015.

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We estimate that we will require a further investment of up to approximately RMB35.0 million for the construction, acquisition of machinery and recruitment of staff for the new production facilities in Xinjiang Province. We plan to fund this project with part of the net proceeds from the Global Offering and cash generated from operations and/or bank loans. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details of the use of proceeds of the Global Offering.

We believe that our competitiveness could further be enhanced after the commissioning of our new production facilities in Xinjiang Province, which places us in close proximity to our customers in Northwest region where we believe demand for our atmospheric pollution control products is highly focused.

New production facilities in Pinghu City, Zhejiang Province

To further enhance our fabrication capacity, we intended to change the use of the properties we leased from TGL in Pinghu City, Zhejiang Province from office premises to production facilities. In order to use the leased properties as production facilities, we have obtained the relevant environmental assessment approval and TGL is in the course of obtaining the building ownership certificate of the property. The new production facilities are expected to commence commercial production in second half of 2015. Our new production facilities in Pinghu City, Zhejiang Province will comprise production plant, staff dormitory and ancillary facilities with a total gross floor area of approximately 25,000 sq.m.. We estimate that we will require investment of approximately RMB10.0 million, which is expected to be funded through a variety of means, including cash generated from operations and bank loans, for the acquisition of machinery and recruitment of staff for the new production facilities in Pinghu City, Zhejiang Province.

COMPETITION

Domestic competition

A significant portion of our revenue during the Track Record Period was derived from our provision of atmospheric pollution control solutions by offering precipitators in the PRC. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our revenue generated from the sale of precipitators accounted for approximately 97.3%, 98.7%, 87.0% and 96.8% of our revenue under the construction contracts segment, respectively. We face intense competition in the precipitator industry in the PRC. As we are based in the PRC, our main competitors are other PRC companies which are principally engaged in the design and manufacture of precipitators. According to the Yubo Report, most popular types of precipitators in the PRC are electrostatic precipitators and bag filter precipitators, and there were over 200 enterprises that were engaged in the design, manufacture and installation of electrostatic precipitators in the PRC. Nonetheless, according to the Yubo Report, the electrostatic and bag filter precipitator markets in the PRC were relatively concentrated with the four major suppliers in the electrostatic precipitator market and the six major suppliers in the bag filter precipitator market, accounting for approximately 37.9% and 24.3% of the market in the PRC, respectively, in terms of sales amount in 2014. According to the Yubo Report, we were one of the four major suppliers in the electrostatic precipitator market in the PRC in 2014. Such competitive landscape has remained relatively stable in recent years.

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Competition in the precipitator industry primarily arises from technology, product performance and price. As one of the leading players in the electrostatic precipitator market, we believe our well-established position, strong research and development capability and proven track record offer us competitive advantages. In particular, we believe we will continue to benefit from the synergies created through our customers' satisfaction and broader market recognition of our brand, which help increase our business opportunities and ability of securing project bids. Although certain small-sized domestic companies can sometimes be competitive in terms of pricing, we believe we have advantages in terms of technology, brand and quality. In addition, due to substantial requirements for capital, equipment, technology, professional expertise and qualifications, we believe that the industry in which we operate has a high entry barrier.

Moreover, in view of our extensive project delivering experience for new installation projects, we believe we are well-positioned to capitalise on the increasing demand for performance upgrades of existing atmospheric pollution control systems as a result of the increasingly stringent emission control regulations of the PRC. In particular, we believe that we will be in an advantageous position to secure business opportunities to provide upgrading or modification services for atmospheric pollution control projects previously completed by us.

Overseas competition

In addition to the PRC market, we also design and manufacture precipitators for projects in overseas markets, such as Vietnam, South Korea, Thailand, Indonesia, India, Chile, Panama and Russia. As such, our competitors also include certain PRC-based companies which export precipitators to these countries and overseas companies, such as KC Cottrel Co., Ltd., Bharat Heavy Electricals Limited and FLSmith & Co. A/S, which are all listed overseas companies.

According to Yubo Report, the emission standard and technical requirements of atmospheric pollution control devices in the PRC are comparable to those in developed countries. With our in-depth experience in designing and manufacturing precipitators for domestic customers, we were also capable of offering precipitators that satisfied the technical requirements of overseas projects, which were generally determined by the relevant customer with reference to the emission standard in the relevant country as well as its own operational needs. We also obtained the CE Certificates of Conformity issued by CEM International Ltd., an accredited certification body or assessor recognised by CE, confirming that our electrostatic precipitator and bag filter precipitator meet the relevant requirements of the Electromagnetic Compatibility Directive and the relevant essential health and safety requirements of the Machinery Directive. The obtaining of CE Certificates allows us to export our electrostatic precipitators and bag filter precipitators to those customers located in countries of European Union, which demonstrated our ability to offer precipitators which meet the requirements of the European market. We believe the possession of the CE Certificates could add credibility to and strengthen customers' confidence in our products. In view of our track record of offering precipitators that satisfied the technical requirements of overseas projects and our possession of the CE Certificates, we believe our technology associated with precipitators is competitive with that of our overseas competitors. In addition, we believe we are able to offer better prices based on our cost advantages over overseas companies which are based in developed countries.

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Sanctions against certain Russian persons and entities

During the Track Record Period, we had offered precipitators to one project in Russia. While sanctions on certain Russian persons and entities were first imposed by the United States in response to the situation in Ukraine in March 2014, followed by the European Union, all the transactions of our Group involving the project in Russia had completed in 2013 and all relevant revenue and profits attributable to the project in Russia had been recognised before 31 December 2013 (i.e. prior to the imposition of the sanctions). Since completion of the contract relating to the project in Russia in 2013, we have not entered into any other contract involving offering products to Russia and we do not intend to do so in the near future. Nonetheless, we will seek appropriate advice from external legal advisers to check whether any potential transaction is in compliance with the relevant laws, rules and regulations before pursuing any future business opportunity arising from any country, organisation or individual that may be subject to international sanctions.

SALES AND MARKETING

We identify potential business opportunities mainly through (i) tender process, including tender invitation and public bid invitation, and (ii) direct negotiations with potential customers. Our customers can generally determine at their discretion the method of identifying suppliers to suit their specific needs, unless they are required under the PRC laws to carry out competitive bidding.

As at the Latest Practicable Date, our sales and marketing team comprised 23 personnel. Our sales and marketing team is responsible for market research, project tracking, coordination of project bidding and quotation, contract negotiations and customer relationship management in both domestic and overseas markets. We strategically divided the PRC market into six regions, namely Eastern China, Northern China, Central China, Northwest, Southwest and Northeast. Our sales representatives are assigned to serve a specific group of customers based on geographic region to facilitate customer liaison, market research and exploration of business opportunities effectively. Our sales and marketing personnel have the relevant technical knowledge and thus are able to offer potential customers an initial analysis of their atmospheric pollution control concerns in relation to their operations. Our sales representatives report to members of our senior management from time to time the latest market trends and specific environmental protection concerns of each relevant region. Members of our senior management could then review and, where necessary, adjust our overall marketing strategies as well as resources allocation. In addition, our sales and marketing team plays an important role in the tendering process, as it is responsible for collecting tender information and will participate in the preparation of the tender documents in collaboration with our production and engineering team. Our sales and marketing team is also responsible for collecting and handling customers' feedback on our products and services so as to facilitate the analysis of our product performance and understand better our customers' needs and requirements.

To further explore international business opportunities, our sales and marketing team liaises closely with our business partners for overseas projects, such as the PRC subsidiaries of overseas enterprises, including overseas environmental engineering enterprises. We believe that further expansion of our business in overseas markets could contribute to our continuing success in view of the growth opportunities in overseas markets as well as the technological innovation required to meet the relatively stringent environmental regulations in some of the overseas markets.

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PRICING POLICY

We believe we have adopted a flexible pricing mechanism. In determining the contract price of our projects, we generally take into account factors such as the costs and expenses incurred throughout a project, specifications and requirements of the project and the pricing offered by our competitors. For further details of our pricing, please refer to the section headed “Business — Our Atmospheric Pollution Control Solutions — Our business flow — Bidding and Execution of Contract — Bidding strategy and pricing” in this prospectus. For instance, it is our strategy to adopt a relatively stable pricing policy with respect to our projects in view of our well-established position in the industry in the PRC, save that we may adopt a relatively competitive pricing policy with respect to those projects which we consider to be of strategic importance to our development. We will conduct review of our pricing strategies with reference to prevailing market conditions and requirements with a view to maintaining our competitiveness in the industry.

QUALITY CONTROL

Our Directors believe that both quality of our products as well as reliability of our services are crucial to our success and have always been our top priority. In line with our commitment to achieving and maintaining high quality standards, we were accredited GB/T19001-2008/ISO9001:2008 Quality Management System Certificate in June 2013 for design, development and manufacture of a wide range of atmospheric pollution control systems, including precipitators, desulfurisation and denitrification systems.

Quality assurance team

As at the Latest Practicable Date, our quality assurance team, headed by our quality assurance manager, was under the administration and supervision of our deputy general manager and comprised approximately 30 employees, who were based in our production facilities in the PRC. Some of our quality assurance staff received tertiary or higher education and were familiar with the applicable industry requirements and our operation and development procedures. Some of our quality assurance staff had over ten years of industry experience.

Quality control during procurement

We implement quality control measures to ensure the quality of raw materials, parts and components procured. We maintain a list of approved suppliers, which is subject to our review from time to time. It is our policy to make procurement only from the approved suppliers. We generally require potential suppliers, at the time of approaching us, to submit their qualification credentials which will be assessed and evaluated by us with reference to their product quality, timing of delivery, price competitiveness and credit and financial status. Items purchased from our suppliers are inspected and approved before being used in our production process, to make sure that the raw materials, parts and components we use for our products are of reliable and satisfactory quality.

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Production process quality control

We have established an inspection system and have developed a system of accountability to strengthen our quality control capability. Our quality assurance team will conduct sample inspection/testing of basic functionality of parts and components manufactured by us and will report any relevant observations or findings (such as defective parts and production abnormalities) to the production team for further handling. Defective or sub-standard parts and component are either rejected or subject to refinements before entering into the next stage of the production process.

Finished product quality control

Our quality assurance team also conducts in-house testing on finished products to make sure that the finished products meet the relevant technical standards and our customer's specifications. Products which do not meet the relevant quality standards will be subject to refinement and in-house testing again after the refinement. Only finished products that pass the final product quality control testing will be delivered to our customers.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no material product quality issues, claims, complaints or sales returns with respect to our Group, whether threatened, potential or settled.

INVENTORY CONTROL

As at the Latest Practicable Date, our inventory comprised raw materials and finished products. Our purchasing and procurement team is responsible for procurement management as well as inventory control of our Group. As our production process is principally sales-driven, procurement arrangements with our suppliers for each individual project are generally made after we have entered into the relevant contract and confirmed the project specifications with our customers. Nonetheless, we also keep stock of key raw materials such as steel on a recurring basis, as well as maintain appropriate level of inventory of other raw materials as safety stock in anticipation of our customers' needs for equipment modification or repair and maintenance services during or beyond the warranty periods. We closely monitor our inventory level to meet our requirements, minimise wastage, and avoid stocking up on obsolete inventory. We keep updated information on existing raw materials and material requirements for our planned manufacturing and formulate our materials procurement plan accordingly.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, we had an inventory balance of approximately RMB38.8 million, RMB43.8 million, RMB32.9 million and RMB37.0 million, respectively, representing approximately 6.0%, 5.6%, 3.6% and 3.9% of our total assets as at the respective dates. Please refer to the section headed "Financial Information — Liquidity and Capital Resources — Inventories" in this prospectus for further information of inventories of our Group.

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AWARDS AND RECOGNITIONS

Over the years we have obtained various recognitions from a number of accrediting institutions as to conformity with industry standards of specifications of our products and acceptance of our products into a recommended catalogue, including the following:

Description of recognition	Accrediting organisation/ institution	Date of grant	Date of expiration
Product Certificate for 300MW Unit Bag Filter Precipitator (300MW機組布袋除塵器)	Power (Beijing) Product Certification Centre Co., Ltd. (電能(北京)產品認證中心有限公司)	4 September 2014	3 September 2019
Product Certificate for 1000MW Unit Electrostatic Precipitator (1000MW機組電除塵器)	Power (Beijing) Product Certification Centre Co., Ltd. (電能(北京)產品認證中心有限公司)	4 September 2014	3 September 2019
Product Certificate for 600MW Unit Electrostatic-bag Composite Precipitator (600MW機組電袋複 合除塵器)	Power (Beijing) Product Certification Centre Co., Ltd. (電能(北京)產品認證中心有限公司)	4 September 2014	3 September 2019
Product Certificate for Positive Dense-phase Pneumatic Ash Conveying Systems of 300MW Grade Unit Power Plant (300MW 等級正壓濃相氣力輸送系統)	Power (Beijing) Product Certification Centre Co., Ltd. (電能(北京)產品認證中心有限公司)	4 September 2014	3 September 2019
Product Certificate for the Semi-dry Desulfurisation Unit of 600MW Generating Grade Unit (600MW等級發電機組半乾法脫 硫裝置)	Power (Beijing) Product Certification Centre Co., Ltd. (電能(北京)產品認證中心有限公司)	4 September 2014	3 September 2019
Product Certificate for 300MW Rotating Polar Plate Electrostatic Precipitator (300MW轉動極板電 除塵器)	Power (Beijing) Product Certification Centre Co., Ltd. (電能(北京)產品認證中心有限公司)	20 June 2012	19 June 2017
Product Certificate for 600MW Rotating Polar Plate Electrostatic Precipitator (600MW轉動極板電 除塵器)	Power (Beijing) Product Certification Centre Co., Ltd. (電能(北京)產品認證中心有限公司)	4 September 2014	3 September 2019

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Description of recognition	Accrediting organisation/ institution	Date of grant	Date of expiration
Certificate of China National Mandatory Product Certification in respect of low tension fixed switchgear (中國國家強制性產品 (交流低壓固定式開關櫃(低壓成 套開關設備)) 認證證書)	China Quality Certification Centre (中國質量認證中心)	8 November 2011	8 November 2016
Certificate of China National Mandatory Product Certification in respect of draw-out type switchgear (中國國家強制性產品 (抽出式低壓開關櫃(低壓成套開 關設備)) 認證證書)	China Quality Certification Centre (中國質量認證中心)	8 November 2011	8 November 2016
Certificate of China National Mandatory Product Certification in respect of dynamic distribution cabinet (中國國家強 制性產品(動力配電箱(低壓成套 開關設備)) 認證證書)	China Quality Certification Centre (中國質量認證中心)	10 August 2012	10 August 2017
Certificate of China National Mandatory Product Certification in respect of distribution cabinet with main switchbox (中國國家 強制性產品(配電箱(配電板)) 認 證證書)	China Quality Certification Centre (中國質量認證中心)	10 August 2012	10 August 2017
CE Certificate of Conformity for electrostatic precipitator, confirming that our electrostatic precipitator meets the relevant requirements of the Electromagnetic Compatibility Directive and the relevant essential health and safety requirements of the Machinery Directive	CEM International Ltd., an accredited certification body or assessor recognised by CE	4 December 2014	N/A
CE Certificate of Conformity for bag filter precipitator, confirming that our bag filter precipitator meets the relevant requirements of the Electromagnetic Compatibility Directive and the relevant essential health and safety requirements of the Machinery Directive	CEM International Ltd., an accredited certification body or assessor recognised by CE	4 December 2014	N/A

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Description of recognition	Accrediting organisation/ institution	Date of grant	Date of expiration
GB/T19001 - 2008/ISO9001:2008 (Quality Management System Certificate — 質量管理體系認證 證書)	Zhongda Huayuan Certification Centre (北京中大華遠認證中心)	18 June 2013	17 June 2016
GB/T24001 - 2004/ISO14001:2004 (Environmental Management System Certificate — 環境管理 體系認證證書)	Zhongda Huayuan Certification Centre (北京中大華遠認證中心)	18 June 2013	17 June 2016
GB/T 28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management System Certificate (職業健康安全管理體系認證 證書)	Zhongda Huayuan Certification Centre (北京中大華遠認證中心)	18 June 2013	17 June 2016
GB/T 19022 - 2003/ISO 10012:2003 (Certificate of conformity for measurement management systems — (測量管 理體系認證證書)	China Measurement System Certification Centre (中啟計量體系 認證中心)	27 December 2011	26 December 2016

Our commitment to excellence is evidenced by the following awards we received:

Year of award	Award
1998	The electrostatic precipitator for a circulating fluidised bed boiler developed by our predecessor, TGL, was listed as an innovation fund project and was also awarded National Key New Product (國家重點新產品證書) jointly by Ministry of Science and Technology (科學技術部), State Administration of Taxation (國家稅務總局), Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部), The State Bureau of Quality and Technical Supervision (國家質量技術監督局) and The State Environmental Protection Administration (國家環境保護總局)
2003	Our dense-phase fluid bin pump pneumatic conveying system (濃相流態倉式泵氣力輸送系統) and circulating fluidised bed boiler auxiliary electrostatic precipitator (循環流化床鍋爐配套電除塵器) developed by our predecessor, TGL, was accredited with Certificate of High & New Technological Product (浙江省高新技術產品證書) by Science Technology Department of Zhejiang Province (浙江省科學技術廳)

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Year of award	Award
2008	Our new model of high-efficient electrostatic-bag composite precipitator (新型整體式高效電袋除塵器) developed by our predecessor, TGL, was accredited with National Torch Scheme Certificate (國家火炬計劃項目證書) under Torch High Technology Industry Development Centre of the Ministry of Science and Technology of the PRC (科學技術部火炬高技術產業開發中心)
2012	Our Company was awarded as the “2011 Core Enterprise in Environmental Protection Industry in Zhejiang Province (2011年度浙江省環保產業骨幹企業)” by Zhejiang Province Environmental Protection Industry Association (浙江省環保產業協會)
2013	Our Company was awarded the “Special Contribution Award” by the fifth Electrostatic Precipitator Committee of China Environmental Protection Industry Association (中國環境保護產業協會第五屆電除塵委員會)
2014	Our efficient auxiliary electrostatic precipitator for 2x1000 MW coal-fired generator units (2x1000MW 燃煤發電機組配套高效電除塵器) was granted Scientific and Technological Achievements Registration Certificate (科學技術成果登記證書) by Zhejiang Provincial Science Department (浙江省科技廳)

CERTIFICATES, LICENCES AND PERMITS

Our PRC Legal Advisers have confirmed that we have obtained all requisite licences, approvals, certificates and permits for all our business operations during the Track Record Period and up to the Latest Practicable Date, and except as disclosed in the paragraph headed “Historical Non-compliance” in this section, we have complied with all material applicable laws and regulations in the PRC. Our PRC Legal Advisers also advised that there was no legal impediment to renew such licenses, approvals, certificates and permits as at the Latest Practicable Date,

The table below sets out the respective date of issuance and expiration of material certificates, licences and permits in respect of our business operations:

Name of certificate/licence/permit	Granting authority in the PRC	Date of issuance	Date of expiration (if applicable)
Registration Certificate for Customs Declaration on Import and Export Goods (中華人民共和國海關進出口貨物收發貨人報關註冊登記證書)	Customs of Shaoxing City of the PRC (中華人民共和國紹興海關)	24 March 2010	24 March 2016

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Name of certificate/licence/permit	Granting authority in the PRC	Date of issuance	Date of expiration (if applicable)
Qualification Certificate of Construction Industry (建築業企業資質證書) — Class B Certificate in environmental protection engineering (環保工程專業承包貳級)	Zhejiang Province Construction Bureau (浙江省建設廳) (currently renamed as Zhejiang Province Department of Housing and Urban-rural Development (浙江省住房和城鄉建設廳))	15 September 2006	N/A
Qualification Certificate of Construction Industry (建築業企業資質證書) — Class C Certificate in steel structural engineering (鋼結構工程專業承包叁級)	Shaoxing City Construction Management Bureau (紹興市建築業管理局)	11 October 2012	10 October 2017
Qualification Certificate on Engineering Design — Class B in environmental engineering (atmospheric pollution control) (工程設計資質證書—環境工程(大氣污染防治)專項乙級)	Zhejiang Province Department of Housing and Urban-rural Development (浙江省住房和城鄉建設廳)	12 May 2014	12 May 2019
Qualification Certificate on undertaking environmental-protection engineering projects - Class B in atmospheric pollution control engineering (浙江省環境污染治理工程總承包資質證書—大氣污染治理乙級)	Environmental Protection Industry Association of Zhejiang Province (浙江省環保產業協會)	6 July 2015	5 July 2018
Qualification Certificate on design of environmental-protection engineering projects - Class B in atmospheric pollution control engineering (浙江省環境污染防治工程專項設計認可證書—大氣污染治理乙級)	Environmental Protection Industry Association of Zhejiang Province (浙江省環保產業協會)	6 July 2015	5 July 2018
Certificate of Authorisation — Manufacture of pressure vessels at Zhejiang TENG Y Environmental Technology Co., Ltd. in accordance with the provisions of the ASME Boiler and Pressure Vessel Code	The American Society of Mechanical Engineers	10 December 2012	10 December 2015

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Name of certificate/licence/permit	Granting authority in the PRC	Date of issuance	Date of expiration (if applicable)
Manufacture Licence of Special Equipment of the PRC for pressure vessels (中華人民共和國特種設備製造許可證 — 壓力容器)	Zhejiang Province Bureau of Quality and Technical Supervision (浙江省質量技術監督局)	16 May 2013	15 May 2017
Production Safety Licence (安全生產許可證)	Zhejiang Province Department of Housing and Urban-rural Development (浙江省住房和城鄉建設廳)	11 October 2013	10 October 2016

RESEARCH AND DEVELOPMENT

We have independent research and development capabilities and place strong emphasis on the research and development of our products. Our research and development division possesses relevant industry experience and has established a technology development platform in order to maintain our competitiveness in the market. Our research and development activities primarily focus on developing new technologies and products as well as upgrading or improving our existing products, with an aim of adhering to the changing market standards and requirements. With the depth and breadth of our industry experience in working with and understanding of the needs of our customers, we believe our achievements in terms of research and development will help us maintain a leading position in the electrostatic precipitator industry in the PRC.

As at Latest Practicable Date, we had a research and development team comprising 57 members, including 13 members who have obtained engineer qualification. Our research and development team is led by our chief engineer who has experience in the design and management of atmospheric pollution control solutions projects. Our research and development team works closely with our sales and marketing team to collect the latest information in relation to the market trend and development, demand and consumer requirements, as well as with our production and engineering team to drive the commercialisation of our technological achievements.

During the Track Record Period, apart from relying on our own capabilities, we had also entered into agreements with an academic institution and a strategic partner with a view to enhancing our research and development capability.

We have entered into an agreement with Energy Engineering Research and Design Institute of Zhejiang University (浙江大學能源工程設計研究院) on research and development of desulfurisation technologies for a term of five years from 25 June 2013. Pursuant to the agreement entered into with Energy Engineering Research and Design Institute of Zhejiang University, the university agreed to provide technical supports to us in respect of desulfurisation projects at agreed fees as specified in the agreement.

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In addition, we have entered into another agreement with Department of Energy Engineering of Zhejiang University in December 2012 for a term of five years, pursuant to which we would offer internship programmes to students recommended by the university, who in turn would bring fresh ideas, new academic knowledge and specialised skills to us. Such agreement entered into with Department of Energy Engineering of Zhejiang University does not involve any fee paid to third parties as our co-operation under this agreement only involved academic exchange.

We have also entered into a co-operation agreement in September 2012 for a term of five years with a strategic partner. Pursuant to the co-operation agreement, the parties agreed to co-operate in bidding desulfurisation and denitrification projects in the PRC, and our strategic partner is responsible for the project design and providing guidance at the project testing and installation stage. The fees payable by us to the strategic partner pursuant to the co-operation agreement shall be determined and agreed on a case-by-case basis. The strategic partner's holding company is a listed company in South Korea principally engaged in provision of environment technology and services for power, metallurgical and cement plants. The co-operation agreement does not contain any provision relating to the ownership of intellectual property interest developed thereunder. Nonetheless, as advised by our PRC Legal Advisers, save for technology that is independently developed by our Group or jointly developed by our Group and our strategic partner, in which case the intellectual property rights of the research results will be either owned by our Group or jointly owned by our Group and our strategic partner (as the case may be), our Group shall not own any intellectual property rights under the co-operation agreement.

For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, expenses incurred by our research and development team amounted to approximately RMB1.3 million, RMB1.3 million, RMB2.6 million and RMB0.7 million, respectively. Details of our intellectual property rights are set out in the paragraph headed "Intellectual Property Rights" in this section and the section headed "Appendix VII — Statutory and General Information — Intellectual Property Rights" in this prospectus.

PROPERTY RIGHTS

We set out below a summary of our property rights in the PRC. Please refer to the section headed "Appendix III — Property Valuation" in this prospectus for further details.

Owned properties

As at the Latest Practicable Date, we owned land use rights for two parcels of land in Paitou Town, Zhuji City of Zhejiang Province in the PRC with an aggregate site area of approximately 40,300 sq.m. and 30,000 sq.m., respectively, and building ownership right for various buildings erected thereon with a total gross floor area of approximately 37,300 sq.m. for use as production facilities.

The above properties have been mortgaged to a bank as securities for banking facilities up to RMB58.0 million. In addition, our Company as lessor has leased one of our properties at Paitou Town, Zhuji City of Zhejiang Province, with a gross floor area of approximately 15,500 sq.m., to Tianjie New Materials, a subsidiary of TGL, at an annual rent of RMB1,084,650. For further details, please refer to the section headed "Connected Transactions" in this prospectus.

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Our PRC Legal Advisers confirmed that, save as disclosed in paragraph headed “Properties under Construction” below, our Group holds valid land use right certificates and building ownership certificates with respect to each of our owned properties. In so far as our Directors are aware, no circumstances existed as at the Latest Practicable Date which would render such land use right certificates and building ownership certificates to be revoked or withdrawn as a result of non-compliance with any relevant laws and regulations of the PRC.

Properties under Construction

As at the Latest Practicable Date, we owned the land use right for a parcel of land in Xinjiang Province with a site area of approximately 73,700 sq.m. for construction of new production facilities with a total gross floor area of approximately 38,000 sq.m.. A portion of the new production facilities which comprises a single storey workshop with a total gross floor area of approximately 11,700 sq.m. is under construction and is scheduled for completion in the second half of 2015. As at the Latest Practicable Date, this single storey workshop has commenced trial production since July 2015, while the commercial production is expected to commence in the second half of 2015 after we have passed/obtained the requisite inspection/approval pursuant to the applicable PRC laws, such as the completion inspection and the building ownership certificate. The remaining portion of the new production facilities will comprise production plant, staff dormitory and ancillary facilities with a total gross floor area of approximately 26,300 sq.m.. The construction of the remaining portion of the new production facilities is expected to commence in the second half of 2015. Please refer to the section headed “Business — Production — Expansion plan” in this prospectus for further details.

Leased properties

As at the Latest Practicable Date, our Group had leased a total of four properties in the PRC, among which three properties were leased from TGL or Zhejiang Jiasheng, both are connected persons of our Company. Details of our leased properties are set out herein below:

Location	Leased term and rental	Particulars of occupancy	Approximate gross floor area	Lessor
A single storey workshop at portion of Tengy Industrial Park, Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	1 January 2015 to 31 December 2017 at an annual rent of RMB3,267,567.80	production facilities	46,700 sq.m.	TGL

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Location	Leased term and rental	Particulars of occupancy	Approximate gross floor area	Lessor
About half of the area of Tianjie Group Office Building, Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	1 January 2015 to 31 December 2017 at an annual rent of RMB250,000	office premises	2,700 sq.m.	TGL
The factory building at south of Haihe Road, west of Xinggang Road, Dushangang Town, Pinghu City, Zhejiang Province, the PRC	1 January 2015 to 31 December 2017 at an annual rent of RMB500,000	office premises and planned for production purpose ¹	25,000 sq.m.	Zhejiang Jiasheng, a non-wholly owned subsidiary of TGL
An office of an office building at No. 67 Laocheng Road, Shanshan County, Turpan City, Xinjiang Uygur Autonomous Region, the PRC	1 July 2013 to 30 June 2016 at nil rent	for industrial and commercial registration purpose	30 sq.m.	Shanshan Investment Promotion Bureau (鄯善縣招商管理局)

Note 1: To enhance our fabrication capacity, we intended to change the use of this leased property from office premises to production facilities. For details, please refer to the section headed “Business — Production — Expansion plan — New production facilities in Pinghu City, Zhejiang Province” in this prospectus.

As confirmed by our PRC Legal Advisers, TGL has obtained the title ownership certificates with respect to the properties TGL leased to us. However, Zhejiang Jiasheng is in the course of applying, but has not yet obtained, the building ownership certificate with respect to the property it leases to us. As advised by our PRC Legal Advisers, there is no legal impediment for Zhejiang Jiasheng to obtain the building ownership certificate. In addition, Shanshan Investment Promotion Bureau has not obtained both the land use rights certificate and the building ownership certificate with respect to the property it leases to us. Such properties in Pinghu City and Turpan City leased by Zhejiang Jiasheng and Shanshan Investment Promotion Bureau to us respectively are currently used by us as office premises and for industrial and commercial registration purpose, respectively. Our Directors believe that the rental costs for these properties with defective title would not be materially different should the landlords obtain relevant land use rights certificate and/or building ownership certificate.

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As advised by our PRC Legal Advisers, in view of the above circumstances, we may not be able to continue the lease of the properties from Zhejiang Jiasheng and/or Shanshan Investment Promotion Bureau and may need to relocate and seek for an alternative location for our office premises and/or industrial and commercial registration purpose. If we are required to relocate, we believe that we will be able to find suitable replacements without material delay in nearby area where alternatives are generally available. As such, our Directors are of the view that the properties with defective title leased by Zhejiang Jiasheng and Shanshan Investment Promotion Bureau to us are not individually or collectively crucial to our operations as comparable premises can be rented in the respective region if necessary. In addition, as advised by our PRC Legal Advisers, we are entitled to compensation from Zhejiang Jiasheng for our losses and damages we incur as a result of the defect in the title of the property pursuant to the relevant lease agreement. Despite no such compensation is available pursuant to the lease agreement entered into with Shanshan Investment Promotion Bureau, in light of the size and purpose of such property leased from Shanshan Investment Promotion Bureau, we estimate the cost of relocation will be minimal. Having taken the above factors into consideration, our PRC Legal Advisers are of the view that the abovementioned defects of our leased properties are not likely to have a material adverse impact on our business or financial conditions.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had obtained 35 patent registrations (including two invention patents and 33 utility model patents) and applied for four patent registrations with the State Intellectual Property Office of the PRC. In addition, as at the Latest Practicable Date, we had two registered trademarks in the PRC and one registered trademark in Hong Kong. Details of our material intellectual property rights are set out in the paragraph headed “Intellectual property rights” in “Appendix VII — Statutory and General Information” to this prospectus.

We rely on a combination of trademark, patent, copyright and proprietary technology to protect our intellectual property rights. Some of the technologies involve unpatented and proprietary technology, processes, know-how, data or trade secrets. With respect to such intellectual property rights which are inherently non-patentable or of which no registration system is currently in place to offer protection on enforcement, we then rely on confidentiality agreements in order to safeguard our interests. During the Track Record Period, we have entered into relevant arrangements with our employees (including but not limited to management personnel and research and development personnel) by way of either execution of a standalone confidentiality agreement or incorporation into the standard employment agreement certain confidentiality provisions which cover any confidential information and trade secrets obtained during the course of employment.

As our brand is becoming more recognised in the PRC as a result of our longstanding commitment to the provision of atmospheric pollution control solutions, we have been devoting our efforts to increasing and enforcing our intellectual property rights which we believe are critical to the maintenance of our overall branding strategy and reputation.

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As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. In addition, during the Track Record Period, we had not encountered any dispute on intellectual property rights that had a material adverse effect on our business or any proceedings concerning any material claims of infringement, either threatened or pending, of any intellectual property rights that were initiated by or against any members of our Group.

ENVIRONMENTAL PROTECTION

As advised by our PRC Legal Advisers, our operations in the PRC are subject to environmental laws and regulations relating to air pollution, noise emissions, hazardous substances, sewage and waste discharge and other environmental matters. Under the current legal and regulatory regime in the PRC, we are required to obtain pollutant discharge permit (污染物排放許可證) and pass the required environmental inspection and approval as required by the applicable regulations for our production facilities. Our PRC Legal Advisers are of the view that we had obtained the relevant pollutant discharge permit and other requisite approvals for our production facilities in Zhuji City, Zhejiang Province.

Although the nature of our business does not constitute us as a heavy polluting industry, and we believe that the impact of our operations on the environment is immaterial, we have taken necessary internal environmental protection measures to prevent polluting the environment. We have established GB/T24001-2004/ISO14001:2004 environmental management systems and received the relevant certificates. Based on GB/T24001-2004/ISO14001:2004 “The Requirements of Environment Management System and User’s Guide”, we have adopted stringent measures to control pollutant production in the manufacturing processes and established an environmental protection and control system. We intend to maintain our investment in environmental protection to promote clean production and to reduce pollution creation at its source.

The costs of our compliance with the applicable environmental regulations and laws amounted to approximately RMB13,000, RMB58,000, RMB72,000 and RMB52,000 for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively. Our Directors estimate that our costs of compliance for 2015 will be approximately RMB100,000. Our Directors confirmed that we had not experience any material environmental pollution accidents during the Track Record Period. As at the Latest Practicable Date, we had not been prosecuted, penalised, sanctioned or ordered to pay any penalties for violation of the environmental protection laws, rules and regulations of the PRC and of the jurisdiction where our operations are being carried out during the Track Record Period. Our PRC Legal Advisers have confirmed that our Group had throughout the Track Record Period complied with the relevant environmental protection laws and rules of the PRC, and did not experience any material environmental pollution accidents.

We will continue to ensure compliance with the applicable environmental regulations and laws from time to time in the future. In the event that there is a material change in our production process or type of products, the environmental impacts arising from our operations will be assessed to determine if any additional measure needs to be taken to ensure compliance with applicable environmental laws and regulations.

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OCCUPATIONAL HEALTH AND SAFETY

We are committed to providing a working environment that prioritises the occupational health and safety of our employees. We have implemented various system standards such as GB/T 28001-2011/OHSAS18001:2007 in accordance with the health and safety supervision and management model comprising government supervision, social monitoring, corporate internal control and external certification bodies.

Our business operations involve significant risks and hazards that could result in damage or destruction of property, death and personal injury, business interruption and potential legal liabilities. Certain of our operations, such as manufacturing process and on-site installation, may be particularly exposed to such risks. Please refer to the risk factor headed “Substantial damage to persons or loss of property may occur in the course of our manufacturing and on-site installation processes” in the section headed “Risk Factors” in this prospectus for further details.

Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法), the Regulations on Work Safety Accident Reporting and Investigation (生產安全事故報告和調查處理條例) and the Measures of Work Safety Permits (安全生產許可條例), we have implemented various health and safety measures, such as compiling health and safety management manuals, establishing standard procedures, and adopting health and safety standards and contingency plans. Pursuant to the relevant PRC regulations, 12 members of our management team, including key management members, project managers and safety supervisors, have obtained the safety certificates issued by relevant PRC government authority. We have also promoted health and safety through training programmes and various awareness campaigns. As confirmed by our Directors, during the Track Record Period, we had no work-related fatalities and there had been no claims for personal or property damages or related compensation paid to the employees.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 634 full-time employees, all of whom were based in the PRC. The following table sets forth the number of our full-time employees by functions as of the Latest Practicable Date:

	Number of full time employees
Production and engineering	477
Quality assurance	30
Sales and marketing	23
Research and development	57
Finance and accounting	10
Purchasing and procurement	5
Management, human resources, compliance and other administration . .	32
Total	634

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During the Track Record Period, we mainly recruited employees from local universities, Chinese vocational schools and the open market. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our staff costs were approximately RMB27.5 million, RMB30.4 million, RMB38.3 million and RMB12.3 million, respectively.

Training

In order to maintain the quality, knowledge and skills of our employees, we appreciate the importance of training to employees. We provide training opportunities to our employees, which include orientation training for new employees such as introduction on our corporate policy and culture and employees' basic quality training, as well as on-the-job training for our existing employees such as technical training, professional and management training.

Remuneration

The remuneration payable to our employees includes basic wages, bonuses and other staff benefit. We conduct periodic performance reviews for our employees and determine their remuneration based on factors including qualifications, contributions, years of experience and performance.

Employee benefits

We believe we maintain a good working relationship with our personnel. We have not experienced any strikes, significant labour disputes or labour disturbances which have had a material adverse impact on our business, financial conditions and results of operations during the Track Record Period. We have not set up any trade union for the employees.

Welfare contributions

During the Track Record Period, our Company and our PRC subsidiaries did not make adequate contribution to social insurance fund and housing provident fund for our employees. The aggregate outstanding amount of social insurance fund and housing provident fund incurred and accrued for the Track Record Period were approximately RMB2.6 million and RMB1.4 million, respectively. We have commenced full contribution of housing provident fund since November 2014 and commenced making the correct payments of social insurance fund since July 2015. Up to the Latest Practicable Date, we have not received any request for making up the outstanding contribution nor have we been imposed any punishment as a result of such non-compliance. For further details, please refer to the section headed "Business — Historical Non-compliance" in this prospectus.

INSURANCE

We maintain property insurance for our production facilities in Zhuji City, Zhejiang Province. We have not maintained any third-party liability insurance to cover claims in respect of personal injury or environmental damage arising from accidents relating to our operations, nor do we carry any product liability insurance, business interruption insurance or key-man life insurance on our key employees. Our Directors are of the view that this is generally consistent with industry practice in the

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PRC. Such insurance is not mandatory according to the laws and regulations of the PRC and voluntarily purchasing such insurance would impose additional costs on our business operations, which would reduce our competitiveness. Our Directors consider that our existing insurance coverage is sufficient for our present operations. We will continue to review and assess the risks and make necessary adjustments to our insurance practice so that it is in line with our operation needs and industry practice from time to time. For details of the risk relating to our insurance coverage, please refer to the section headed “Risk Factors — Risks relating to our business and the industry in which we operate — We may not have sufficient insurance coverage for the risks associated with the operations of our business” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had not faced any material complaints or product claims, nor had we received any major complaints about the quality of our products or as to the non-compliance with the requirements imposed by our customers in relation to social, health and safety issues that would materially and adversely affect our business or relationship with our customers, and there were no past incidents related to our product quality and/or product liability claims which had material impact on our Group.

RISK MANAGEMENT

We have adopted and implemented risk management policies in our business operations. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and business operation. Based on assessment of our risks in terms of their likelihood and potential impact, we then prioritise and pair each risk with a mitigation plan. We provide training to our employees on risk management that ensures all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analysing risks associated with its function, preparing risk mitigation plans, measuring effectiveness of such risk mitigation plans and reporting status of risk management. Our Board is responsible for supervising the implementation of our risk management policy at the corporate level by bringing together each operating department, such as production and engineering, research and development, quality assurance, purchasing and procurement, to collaborate on risk issues among different functions. Our Board will monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations. For details about the qualifications and experience of the members of our Board, please refer to the section headed “Directors, Supervisors and Senior Management” in this prospectus.

LEGAL PROCEEDINGS

During the Track Record Period, we had been involved in one arbitral proceedings in the ordinary course of business in respect of a contract dispute which, as confirmed by our PRC Legal Advisers, was not in consequence of our non-compliance with any applicable laws or regulations in the PRC at the relevant time.

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Pursuant to a contract dated 31 December 2010 entered into between a purchaser (the “Claimant”), which was a company established in the PRC, and our Company as supplier in respect of the supply of bag filter precipitators, our products shall be delivered to a port in the PRC as designated by the Claimant by 30 May 2011. In the absence of provisions prescribing in substance the manner of delivery, dispute arose as to fulfilment of all conditions for delivery of the equipments and services concerned and accordingly resulted in the delay of first batch of delivery to December 2011. As a result, in August 2012, the Claimant submitted an arbitral application to Zhengzhou Arbitration Panel (鄭州仲裁委員會) requesting for compensation in the sum of RMB9.25 million inclusive of liquidated damages and all consequential expenses.

In April 2013, having considered the submission of and evidence furnished by both parties to the subject contract and pursuant to the arbitration clause of the same, Zhengzhou Arbitration Panel laid down the following judgement:-

- (i) both parties’ respective obligations under the subject contract to be released;
- (ii) our Company to make payment of RMB1.56 million in favour of the Claimant within ten days of delivery of judgement being liquidated damages as a result of our Company’s breach of contractual obligations;
- (iii) other arbitral requests of the Claimant to be refused, with the costs of making the same be to our Company; and
- (iv) other arbitral counter-requests of our Company to be refused, with the costs of making the same be to our Company.

As at the Latest Practicable Date, the relevant amount of RMB1.56 million has been settled in full. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, save as disclosed above, we were not involved in any litigation, arbitration or administrative proceedings and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that we believe would have a material adverse effect on our financial condition, results of operations or reputation.

HISTORICAL NON-COMPLIANCE

Our Directors confirmed that except as disclosed below, we have complied with the law and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. The table below sets forth summaries of certain incidents of historical non-compliance with applicable law and regulations during the Track Record Period. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

Historical non-compliance and reasons	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and status	Internal control measures to prevent future breach and ensure ongoing compliance
<p>Social insurance fund</p> <p>According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and other relevant regulations, we are required to provide our employees with welfare schemes covering social insurance. During the Track Record Period, our Company and our PRC subsidiaries, namely Tianjie Installation Engineering and Technology, our Company and our PRC subsidiaries, namely Tianjie Installation Engineering and Technology, had made timely and adequate contribution to social insurance fund for our employees.</p> <p>As confirmed by our PRC Legal Advisers, the Social Insurance Bureau of Zhujij City has the authority and is competent to issue the above confirmation and the possibility that the confirmation being revoked is remote.</p> <p>We have commenced making the correct payments of social insurance fund since July 2015. Up to the Latest Practicable Date, we have not received any request for making up the outstanding contribution nor have we been imposed any punishment as a result of such non-compliance.</p> <p>Our PRC Legal Advisers are of the view that, since we received the above confirmation letter from the competent governmental authority, the likelihood that the relevant authority would impose fines or penalties on us in this regard should be low and the non-compliance relating to such contributions are not material to the business operation and financial results of our Company and the relevant PRC subsidiaries.</p>	<p>Under the relevant PRC laws and regulations, for the unsubscribed social insurance contribution prior to 1 July 2011, being the effective date of the Social Insurance Law of the PRC, the relevant governmental authority may require a company who fails to pay its portion of social insurance fund contributions to make the outstanding contribution within a given period and, if the company fails to do so, may impose on the company an additional late payment fee at a daily rate of 0.2% of the outstanding amount. For the unsubscribed social insurance contribution after 1 July 2011, the relevant governmental authority may require the company to make the unsubscribed contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period and, if the company fails to do so, may impose a fine on the company ranging from one to three times of the total amount of the unsubscribed contribution. According to the aforementioned provisions, we may be required by the relevant governmental authority to make the outstanding contribution within a given period and an additional late payment fee at a daily of 0.05% of the outstanding contribution from the due date incurred and accrued after 1 July 2011.</p>	<p>We obtained a confirmation letter dated 14 April 2015 from the Social Insurance Bureau of Zhujij City, the competent governmental authority, confirming that, as at the date of the issuance of the confirmation letter, our Company and our PRC subsidiaries, namely Tianjie Installation Engineering and Technology, had made timely and adequate contribution to social insurance fund for our employees.</p>	<p>According to the relevant PRC laws and regulations, employees are mandatorily required to participate in the social insurance fund.</p> <p>We have established internal control procedures to prevent future breach, including: (i) human resources manager is responsible to seek advice from the Company's lawyer on yearly basis to ensure the accuracy of the calculation of social insurance fund contribution; (ii) an experienced human resources staff has been designated to handle matters in relation to social insurance fund; (iii) the calculation of social insurance contribution will be reviewed by the human resources manager on monthly basis; (iv) manager of general affairs office will review the compliance of social insurance fund contribution on yearly basis; and (v) we have retained PRC legal advisers to advise on and to provide training on the relevant PRC laws and regulations in relation to the social insurance fund to human resource department on yearly basis so as to keep abreast of these areas.</p>
<p>During the relevant period, contributions to the social insurance fund were handled by our human resources department. The staff at the human resources department was not familiar with the requirements of the social insurance fund. In addition, it is difficult in practice to make contribution to the social insurance fund for employees who are immigrant workers and not willing to participate in the social welfare schemes of the city to which they immigrate temporarily. As such, the staff of our human resources department did not make adequate contribution to the social insurance fund for our employees.</p>	<p>We have made provisions for the unsubscribed contribution to social insurance in the aggregate amount of approximately RMB2.6 million as at 31 March 2015.</p>	<p>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us as a result of any non-compliance incident with the relevant social insurance.</p>	

Historical non-compliance and reasons	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and status	Internal control measures to prevent future breach and ensure ongoing compliance
<p>Housing provident fund contribution</p> <p>According to the Administrative Regulations on the Housing Provident Fund of the PRC (住房公积金管理条例) and other relevant regulations, we are required to provide our employees with housing funds and housing benefits. During the Track Record Period, our Company and our PRC subsidiaries, namely Tianjie Electronic and Technology and Tianjie Installation Engineering, did not make contribution to housing provident fund for certain of our employees. The aggregate outstanding amount incurred and accrued during the Track Record Period was approximately RMB1.4 million.</p> <p>During the relevant period, contributions to housing provident fund were handled by our human resources department. The staff at the human resources department was not familiar with the requirements of the housing provident fund. In addition, it is difficult in practice to make contribution to the housing provident fund for employees who are immigrant workers and not willing to participate in the social welfare schemes of the city to which they immigrate temporarily. As such, the staff of our human resources department did not make contribution to the housing provident fund for certain of our employees.</p>	<p>According to the relevant PRC laws and regulations, the relevant governmental authority may require us to make the unsubscribed contribution within a given period, and, if we fail to do so within the given period, may impose a fine ranging from RMB10,000 to RMB50,000.</p>	<p>We obtained a confirmation letter dated 22 April 2015 from the Housing Provident Fund Management Centre of Zhujii City, the competent governmental authority, confirming among other things that, as at the date of the issuance of the confirmation letter, our Company and our PRC subsidiaries, namely Tianjie Electronic and Technology and Tianjie Installation Engineering, had made housing fund contribution for our employees in compliance with the regional regulation and practical circumstances and there did not exist any penalty arising from any violation of relevant laws and regulations by us in this regard.</p> <p>As confirmed by our PRC Legal Advisers, the Housing Provident Fund Management Centre of Zhujii City has the authority and is competent to issue the above confirmation and the possibility that the confirmation being revoked is remote.</p> <p>We have commenced making housing fund contribution in full amount for our employees since November 2014. Up to the Latest Practicable Date, we have not received any request for making up the outstanding contribution nor have we been imposed any punishment as a result of such non-compliance.</p> <p>Our PRC Legal Advisers are of the view that, since we received the above confirmation letter from the competent governmental authority, the likelihood that the relevant authority would impose fines or penalties on us in this regard should be low and the non-compliance relating to such contributions are not material to the business operation and financial results of our Company and the relevant PRC subsidiaries.</p>	<p>According to the relevant PRC laws and regulations, employees are mandatorily required to participate in the housing provident fund.</p> <p>We have established internal control procedures to prevent future breach, including: (i) human resources manager is responsible to seek advice from the Company's lawyer on yearly basis to ensure the accuracy of the calculation of housing provident fund; (ii) an experienced human resources staff has been designated to handle matters in relation to housing provident fund; (iii) the calculation of housing provident fund will be reviewed by the human resources manager on monthly basis; (iv) manager of general affairs office will review the compliance of housing provident fund on yearly basis; and (v) we have retained PRC legal advisers to advise on and to provide training on the relevant PRC laws and regulations in relation to the housing provident fund to human resource department on yearly basis so as to keep abreast of these areas.</p>
	<p>We have made provisions for the unsubscribed contribution to housing provident funds in the aggregate amount of approximately RMB1.4 million as at 31 March 2015.</p> <p>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us as a result of any non-compliance incident with the relevant housing fund regulations.</p>		

Historical non-compliance and reasons	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and status	Internal control measures to prevent future breach and ensure ongoing compliance
<p>The General Provision of Loans (貸款通則)</p> <p>According to the General Provision of Loans, enterprises should not conduct lending and borrowing business or lending and borrowing business in disguised form.</p> <p>During the Track Record Period, our Company had obtained from TGL loans in the amount of RMB85.3 million, RMB103.8 million, RMB83.6 million and nil for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively, which were non-interest bearing if the loans are repaid within 30 days and interest-bearing at the benchmark interest rate of bank if repaid beyond 30 days. During the Track Record Period, as we repaid all of the loans to TGL within 30 days from the date of borrowing, we had not paid any interest to TGL for the loans obtained from TGL.</p> <p>During the relevant period, the accounting department was responsible for overseeing the said loan arrangements with TGL. We entered into the said loan arrangements with TGL during the relevant period primarily because it was cost-efficient to utilise group financial resources.</p>	<p>According to the General Provision of Loans, where enterprises conduct lending and borrowing or lending and borrowing in a disguised form between themselves without authorisation, the People's Bank of China shall impose a fine on the lender of one to five times of the interest generated from the unauthorised lending.</p>	<p>Our PRC Legal Advisers are of the view that the likelihood that the relevant authority would impose fines or penalties on us in this regard should be low based on the following reasons:</p> <p>(i) the loans granted by TGL to us have been repaid in full in September 2014;</p> <p>(ii) we had not granted any loans to TGL; and</p> <p>(iii) we had not been penalised by any competent authority relating to the aforesaid loan arrangements.</p>	<p>We have implemented a policy to (i) prohibit our Group from obtaining any borrowings from other enterprises, save for financial institutions which are licensed to engage in lending and borrowing business; and (ii) require all lending transactions and advances by any member of our Group to be pre-approved by our Directors, who should seek legal advice with respect to any such lending and advances prior to granting such approvals where necessary.</p> <p>On 21 April 2015, we have provided a training to our accounting staff in respect of prohibition of inter-company loans and borrowings.</p>

Internal control measures to prevent future breach and ensure ongoing compliance

We have established internal control procedures to prevent future breach, including: (i) all tender documents shall be prepared internally by our Company and be delivered by person authorised by our Company; (ii) all electronic documents for third party's use shall be encrypted; (iii) a designated employee is responsible to check whether the copies of qualification certificates (including but not limited to Production Safety Licence) are the same as original before tender submission; and (iv) each tender is reviewed and approved by a designated team, comprising directors and senior management, before submission.

On 6 October 2014, we have provided a training to our sales staff in respect of the above policies and procedures.

Rectification actions taken and status

Mr. He Wen Xian was removed from the position of district sales manager and only retained as a sales personnel. Mr. He has also indemnified our Company for the fine of RMB80,000. Our PRC Legal Advisers are of the view that the incident did not constitute a material non-compliance act nor a legal impediment to the Listing for the following reasons:

- (i) pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法), enterprises engaging in construction are required to comply with the production safety regulations. Since our Company is an enterprise engaging in the production of environmental protection equipment, our Company is not required to apply for a Production Safety Licence. Instead, Tianjie Installation Engineering, which is principally engaged in the business of electrical and environmental protection equipment installation services, has possessed the Production Safety Licence pursuant to the applicable production safety regulations;
- (ii) our district sales manager altered the copy of the Production Safety Licence without our authorisation in order to fulfil the requirement of the tendering process. Although our Company was responsible to a certain extent with respect to the non-compliance incident, no serious malicious intent was found. Furthermore, our Company was disqualified from the tendering process in this particular Chongqing project and no severe adverse consequence and social effect was resulted;
- (iii) the amount of fine imposed on us was close to the minimum level of the penalty standards stipulated under the Tendering and Bidding Regulations of Chongqing (重慶市招標投標條例); and
- (iv) according to the confirmation letter dated 16 September 2014 from the National Development and Reform Commission of Chongqing, it was confirmed that the above incident did not cause irreversible consequence on project tendering and project construction work, and the violator had admitted its fault timely and cooperated with investigations actively, which did not constitute a serious case under such circumstances. As confirmed by our PRC Legal Advisers, the National Development and Reform Commission of Chongqing has the authority and is competent to issue the above confirmation and the possibility that the confirmation being revoked is remote.

Legal consequences and potential maximum and other financial liabilities

The National Development and Reform Commission of Chongqing imposed an administrative penalty on us in accordance with the Tendering and Bidding Regulations of Chongqing (重慶市招標投標條例), pursuant to which we were disqualified from tendering of such Chongqing project and were fined RMB80,000.

Historical non-compliance and reasons

Non-compliance with Chongqing Tendering Laws and Regulations

Our Company provided an altered Production Safety Licence in the tendering process of a project in Chongqing in December 2013.

In order to increase the opportunities to win the bid, Mr. He Wen Xian (何汶賢), our district sales manager and who did not have good performance in 2013, altered the holder of the Production Safety Licence from Tianjie Installation Engineering, our subsidiary, to our Company without our Directors' approval.

The alteration of the holder of the Production Safety Licence was not under any instruction from our Directors or any of our senior management. Our Directors and senior management had no knowledge of this incident at the material time.

Pursuant to relevant regulations of Production Safety Law of PRC (中華人民共和國安全生產法), the Production Safety Licence is implemented by the State against mining enterprises, construction enterprises, and enterprises engaged in the production of hazardous chemicals, fireworks and explosives for civil uses. Therefore, our Company, which is an enterprise engaged in the design and manufacturing of environmental protection equipment, is not obligated nor required to obtain the Production Safety Licence. Instead, Tianjie Installation Engineering, the wholly-owned subsidiary of our Company, which mainly provides supporting services including installation and construction of the environmental protection equipment manufactured by our Company, holds the Production Safety Licence.

According to the tendering documents of such project in Chongqing, it was one of the bidding conditions that the units participating in the bidding shall have the Production Safety Licence as well as relevant qualifications relating to design of environmental protection equipments, and joint bidding is not allowed. Such bidding condition was to some extent different from the objective circumstances that many environmental protection equipment companies are only responsible for the design and manufacturing of the environmental protection equipment, while it is their subsidiaries which are responsible for the supporting services such as installation and construction. As such, environmental protection equipment companies generally may not concurrently possess the Production Safety Licence as well as the relevant qualifications relating to design. And for these reasons, the bid evaluation committee of such project in Chongqing had rejected all the bids for this project and eventually there was no bid-winning candidate.

Internal control measures to prevent future breach and ensure ongoing compliance

We have implemented the following policies to prevent future breach: (i) we would not hire any individual service provider directly. Instead, we would only hire service providers which are entities with appropriate qualification, and we will enter into engagement contract with the service providers only after obtaining written approval of the Directors, and each of these service providers is required to issue invoice to us in accordance with the Measures of the People's Republic of China on the Administration of Invoices; (ii) the Manager of the Integrated Management Department will conduct an annual review on the compliance conditions in respect of hiring of labour services and report to the Board of Directors.

On 21 April 2015, our PRC Legal Advisers have provided training in respect of the above policies, relevant PRC laws and regulations to relevant staff of Tianjie Installation Engineering and the staff of our Group's Human Resources Department.

Rectification actions taken and status

We obtained a confirmation dated 6 February 2015 from the Zhuji Taxation Bureau, confirming that:

- (i) the Non-compliance Incident was mainly due to the practical administration difficulties in procuring each individual service provider to issue invoices separately in view of the large number of individual service providers involved. Therefore, such arrangements involving the Service Provider Representatives were mainly for the sake of simplifying the administration process and did not involve any subjective intent of non-compliance;
- (ii) the total amount of the Invoices was equivalent to the total amount of service fees actually paid by our Group, and was neither less nor more than the total amount of service fees actually paid by our Group. As the total amount of the Invoices was consistent with the total amount of service fees paid by our Group, the Non-compliance Incident did not affect the total amount of tax payable to the relevant taxation authority nor did it result in any situation of "pay less tax or obtain more tax credit";
- (iii) the Non-compliance Incident did not constitute an instance of procuring others to issue invoices for oneself that are not in line with the actual business operations;
- (iv) in respect of the issue of invoice in connection with Tianjie Installation Engineering, the Measures of the People's Republic of China on the Administration of Invoices, and the relevant tax administration law were not violated; and
- (v) the Zhuji Taxation Bureau will not impose any administrative penalty on Tianjie Installation Engineering, the relevant enterprises and directors, senior management for the aforesaid act relating to the Non-compliance Incident.

In addition, our PRC Legal Advisers are of the view that the risk of Tianjie Installation Engineering being considered by the relevant competent authority to assist others (i.e. the individual service providers) in tax evasion is low based on the following reasons:

- (i) the Non-compliance Incident was due to the inconsistency between the invoice issuer specified in the Invoices and the actual payees (i.e. the individual service providers) as a result of the involvement of Service Provider Representatives, and such arrangements were mainly for the sake of simplifying the administration process, due to the practical administration difficulties in procuring each individual service provider to issue invoices separately in view of the large number of individual service providers involved. Therefore, the Non-compliance Incident did not involve any subjective intent of non-compliance;
- (ii) the total amount of the Invoices was equivalent to the total amount of service fees actually paid by our Group, and was neither less nor more than the total amount of service fees actually paid by our Group. In addition, the taxes had already been paid to the relevant taxation authority in accordance with the relevant Invoices when such Invoices were issued by the relevant taxation authority; and

Legal consequences and potential maximum and other financial liabilities

Pursuant to the Notice of the SAT on Strengthening and Regulating the Issuance of Plain Invoices by Taxation Authorities on Behalf of Taxpayers, any breach of the relevant rules shall be handled in accordance with the provisions of the Law of the People's Republic of China on the Administration of Tax Collection and its Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection.

Our PRC Legal Advisers are of the view that pursuant to the Measures of the People's Republic of China on the Administration of Invoices (中華人民共和國發票管理辦法), the maximum fine which may be imposed on our Group for such Non-compliance Incident would amount to no more than RMB500,000.

Historical non-compliance and reasons

Service charge invoices

Pursuant to the Measures of the People's Republic of China on the Administration of Invoices (中華人民共和國發票管理辦法), no entity or individual shall procure others to issue invoices for it/him that are not consistent with the actual business operations of such entity or individual. In addition, pursuant to the Notice of the SAT on Strengthening and Regulating the Issuance of Plain Invoices by Taxation Authorities on Behalf of Taxpayers (國家稅務總局關於加強和規範稅務機關代開普通發票工作的通知, "invoice (代開發票)" refers to the issuance of invoices by taxation authorities to the payer (or the party receiving services) based on the application made by the payee (or the party providing services) by presenting relevant supporting materials.

During the Track Record Period, Tianjie Installation Engineering hired service providers, which may be PRC entities or individuals, to provide auxiliary services in our atmospheric pollution control projects. Based on the applicable laws, rules and regulations, each individual service provider of our Group (i.e. the payee) shall apply to the relevant taxation bureau, namely the Paitou Branch of Zhuji City Local Taxation Bureau ("Zhuji Taxation Bureau"), for issuance of "Construction Industry Uniform Invoice (Issuance of Invoices on Behalf of Others) (建築業統一發票(代開))" (the "Invoice(s)") to our Group (i.e. the payer).

During the Track Record Period, not each of the individual service providers applied to the Zhuji Taxation Bureau for issuance of the Invoices to our Group. Instead, a total of 33 Service Provider Representatives who received, on behalf of the individual service providers, the service fees were presented to the Zhuji Taxation Bureau as the payee. The Service Provider Representatives might be one of our employees, our employees' relatives, the service providers or other third parties. As a result, the payee specified in the Invoices might not be the actual individual service provider, or even if such payee was an actual service provider himself, his Invoice did not reflect the actual amount received by him only, but also the service fees paid by our Group to other individual service providers whom he represented which were also aggregated in such Invoice. For details in respect of the Service Provider Representatives, please refer to the section headed "Business — Procurement, Raw Materials, Parts and Components and Suppliers — Suppliers — Service providers" in this prospectus.

Historical non-compliance and reasons

Although the total amount of the Invoices was equivalent to the total amount of service fees paid by our Group and the involvement of Service Provider Representatives in “invoicing (代開發票)” has not resulted in any reduction in tax payment, such invoicing involving Service Provider Representatives was still technically inconsistent with the factual circumstances, and thus was not in full compliance with the Measures of the People’s Republic of China on the Administration of Invoices (中華人民共和國發票管理辦法) (the “**Non-compliance Incident**”).

During the Track Record Period, there were 86 invoices involved in the Non-compliance Incident, with total invoice amount of approximately RMB72.7 million.

The reasons for the Non-compliance Incident were as follows: (i) the relevant clerical staff of Tianjie Installation Engineering and the individual service providers hired by our Group lacked legal awareness; and (ii) in view of the large number of individual service providers, Service Provider Representatives were involved to apply for issuance of the Invoices to our Group in order to simplify the administrative procedure of “invoicing (代開發票)”.

(iii) the Zhuji Taxation Bureau has confirmed that the Non-compliance Incident did not affect the total amount of tax payable to the relevant taxation authority, and the amounts of the Invoices reflected the real business transactions and did not cause any reduction of tax payment.

As confirmed by our PRC Legal Advisers, the Zhuji Taxation Bureau has the authority and is competent to issue the confirmation dated 6 February 2015 as aforementioned and the possibility that this confirmation being revoked or challenged by a higher PRC tax authority is remote for the following reasons:

(i) pursuant to the Measures of the People’s Republic of China on the Administration of Invoices (中華人民共和國發票管理辦法), the tax authority is the competent authority regulating the invoicing; and pursuant to the Rules for the Implementation of the Measures of the People’s Republic of China on the Administration of Invoices (中華人民共和國發票管理辦法實施細則), tax authority at county-level or above has the right to impose administrative penalties in respect of any non-compliance with the Measures of the People’s Republic of China on the Administration of Invoices.

As the Zhuji Taxation Bureau is a county-level taxation authority, it is the competent authority to determine whether the issuance of Invoices involving Service Provider Representatives was in violation of any regulations of the Measures of the People’s Republic of China on the Administration of Invoices, and whether any administrative penalty should be imposed in this regard.

(ii) pursuant to the Law of the People’s Republic of China concerning the Administration of Tax Collection (中華人民共和國稅收徵收管理法) and its implementation rules, the tax authority at a higher level will, in accordance with applicable laws, supervise the law enforcement activities by the tax authority at a lower level. The tax authority at a higher level shall make prompt rectification when it notices any unlawful acts in taxation by the tax authority at a lower level. Therefore, in general, the tax authority at a higher level only makes rectification as to any unlawful acts in taxation by the tax authority at a lower level.

(iii) according to a confirmation dated 24 June 2015 from the Shaoxing Taxation Bureau, the tax authority at a higher level of the Zhuji Taxation Bureau in respect of the Non-compliance Incident dated 6 February 2015 issued by the Zhuji Taxation Bureau as aforementioned, the Zhuji Taxation Bureau has the authority to regulate the relevant taxation issues that are within its jurisdiction.

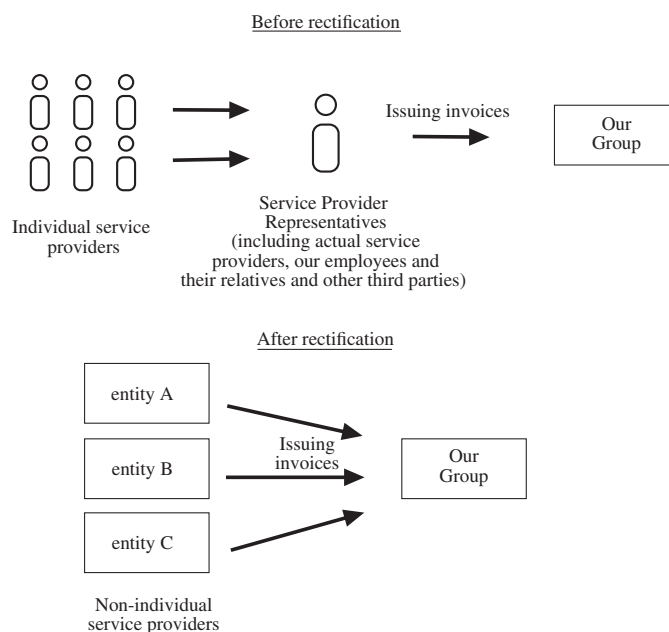
Our Directors have confirmed that we have not been subject to any administrative penalty in respect of the Non-compliance Incident. In addition, our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us as a result of the Non-compliance Incident.

According to the confirmation letter issued by the Zhuji Taxation Bureau, the Non-compliance Incident has not resulted in any reduction in our tax payment and it has not imposed any fines or penalties on Tianjie Installation Engineering. As such, our PRC Legal Advisers are of the view that the likelihood of imposition of fines or penalties on Tianjie Installation Engineering by the Zhuji Taxation Bureau or other PRC regulatory authorities or taxation bureaux in this regard is low.

We have ceased to accept and use Invoice not in compliance with requirements of Notice of the SAT on Strengthening and Regulating the Issuance of Plain Invoices by Taxation Authorities on Behalf of Taxpayers since 11 December 2014.

BUSINESS

For illustration purpose, please see the diagrams below showing the invoicing arrangements before and after our rectification:



INTERNAL CONTROL MEASURES

Our Board of Directors is responsible for establishing our internal control system and reviewing its effectiveness. Such system covers corporate governance, operations, management, legal matters, finance and auditing, as appropriate for the needs of our operations.

In particular, in order to avoid recurrence of non-compliance in the future and to ensure the ongoing compliance with the relevant regulatory requirements after Listing, we have adopted or implemented the following measures to strengthen our control environment at both working and monitoring level:

- (1) We have established an audit committee on 10 November 2014 which comprises three independent non-executive Directors, one of whom possesses extensive accounting and financial management experience and was the head of compliance and corporate affairs of a listed company in Hong Kong, to oversee the internal control procedures and accounting and financial reporting matters of our Group. The audit committee has also adopted its terms of references which set out clearly its duties and obligations for ensuring compliances with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to discuss the implementation of internal control measures with our management and review any arrangement which may arise concerns about possible improprieties in financial reporting, internal control or other matters.

BUSINESS

- (2) Our Directors, senior management and supervisors have attended trainings conducted by our Company's Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance and the Listing Rules.
- (3) Our Directors and key staff members of our human resources department, finance department and sales department have attended training conducted by our PRC legal advisers on PRC Company Law, Securities Law and PRC laws and regulations in particular those relating to the non-compliance incidents.
- (4) We will appoint PRC legal advisers which will provide advice to the Board and members of our senior management on an ongoing basis in respect of all relevant PRC laws and regulations, including changes thereto from time to time, which may affect our business operations in the PRC.
- (5) We have appointed China Everbright as our compliance adviser to advise our Group on compliance matters in accordance with Rule 3A.19 of the Listing Rules.
- (6) We will further implement various training programmes, with the support of our PRC legal advisers, to update our employees on the relevant PRC laws and regulations and will conduct regular compliance training for our employees to enhance their understanding of the prevailing laws and regulatory regime applicable to our Group.
- (7) In order to further enhance the effectiveness of our internal control system and to ensure our compliance with all relevant laws and regulations going forward, we have also formulated a new internal control policy whereby our management should conduct research and seek professional advice from external legal advisers and/or professional consultants regarding the requirements under the relevant rules and regulations in relation to any plans for new business operations. A report with results of such research and a summary of advice should be tabled on the Board meeting for discussion and approval prior to commencement of such new business line.

On 23 September 2014 and 16 February 2015, we have engaged an internal control consultant to conduct a review and a follow-up review, respectively, of our internal control measures regarding the non-compliance incidents identified above. Our internal control consultant has reviewed our policies and documents regarding the non-compliance incidents. The work performed by our internal control consultant was conducted in early October 2014 and March 2015, respectively, and resulted in a number of recommendations to strengthen our corporate governance and internal control measures to prevent above non-compliance incidents in future.

Based on its review results, our internal control consultant concurs that we have adopted the enhanced internal control measures, including the adoption of enhanced policies and procedures and establishment of internal audit team, in response to the aforementioned non-compliance incidents.

BUSINESS

Having taken into account the nature and reasons for the historical non-compliance incidents, the written confirmations of the relevant competent government authorities, the aforementioned internal control measures, and our business nature and operation scale, our Directors are of the view that the various internal control measures adopted by us can strengthen our control framework, and therefore, are adequate and effective and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of our Company for listing under Rule 8.04 of the Listing Rules.

In addition, after making enquiries of the management of our Company, reviewing the enhanced internal control procedures of our Group and discussing with our Group's internal control consultant regarding our Group's internal control system, the Sole Sponsor, who is not expert in internal control, is not aware of any reasons to disagree with our Directors' view that our Group's enhanced internal control measures are adequate and effective under the Listing Rules. Based on the above, the Sole Sponsor is of the view that the aforementioned non-compliance incidents do not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of our Company for listing under Rule 8.04 of the Listing Rules.

Our Directors and our PRC Legal Advisers confirmed that, save as disclosed, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material aspects with the relevant PRC laws and regulations and had obtained all material permits, licences and approvals required for the purpose of conducting business activities and operations of our business in the PRC.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Our Company was established as a joint stock limited company on 28 December 2009 in accordance with the PRC laws. Immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and TGL will effectively hold as to approximately 10.13%, 5.07%, 2.91% and 51.85% of the total issued share capital of our Company respectively. TGL was wholly owned by the Bian Family as at the Latest Practicable Date. In short, the Bian Family and TGL are expected to control approximately 69.96% of the total issued share capital of our Company upon the Listing (assuming that the Over-allotment Option is not exercised). Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu, being members of the Bian Family, are parties to the Acting in Concert Agreement, and Mr. Bian Jianguang and Ms. Bian Shu agreed to vote in concert with Mr. Bian for all operational and financial matters in shareholders' meeting and meetings of the Directors of our Company. As such, the Bian Family and TGL will remain as Controlling Shareholders after the Global Offering.

Pursuant to the Acting in Concert Agreement, over the course of our Company's business history, each of Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu confirmed the existence of the above acting in concert arrangements in the past.

Each of Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and Mr. Bian Weican respectively executed the Undertaking, pursuant to which each of Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu and Mr. Bian Weican had undertaken that the number of Shares which he/she may transfer directly or indirectly each year during his/her term of office as the director, supervisor or senior management of our Company may not exceed 25% of the total number of the Shares directly and indirectly owned by him/her, and the Shares may not be transferred within one year after the date on which the Shares are listed and traded on the Stock Exchange. The Shares held by him/her may not be directly or indirectly transferred within six months after his/her resignation.

TGL was established on 5 June 1995 as a limited liability company in accordance with the PRC laws with a registered share capital of RMB218 million as at the Latest Practicable Date. TGL is the holding company of various subsidiaries (including our Group). According to the latest articles of association of TGL as at the Latest Practicable Date, from the date on which the Shares are listed and traded on the Stock Exchange onwards, the number of shares of TGL which a shareholder of TGL as the Director, Supervisor or senior management of our Company may transfer each year during his term of office may not exceed 25% of the total number of the shares of TGL owned by them, and the shares of TGL may not be transferred within one year after the date on which the Shares are listed and traded on the Stock Exchange. The above personnel may not transfer the shares of TGL held by them within six months after resignation. TGL has in its articles of association clearly set out the requirements which the Director, Supervisor or senior management of our Company, who indirectly own the Shares, are subject to pursuant to the relevant laws and regulations of the PRC. For details of the businesses engaged by TGL and its subsidiaries (excluding our Group), please refer to the paragraph headed "Delineation of Business" of this section below.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DELINEATION OF BUSINESS

Apart from our Group, our Controlling Shareholders (including TGL and its subsidiaries) are currently conducting other businesses or holding interest directly or indirectly in certain companies, including the business of manufacturing and sale of machineries and spare parts, the sale of steel, building materials and other chemical products, scrap metals recycling and the construction and operation of the wind power farms.

As we are principally engaged in the business of the provision of atmospheric pollution control solutions and none of the business owned by our Controlling Shareholder and their respective close associates outside our Group involve the provision of atmospheric pollution control solutions, our Directors are of the view that there is a clear delineation between the principal business of our Company and those of the companies owned by our Controlling Shareholders, therefore, none of the companies owned by our Controlling Shareholders or their respective close associates would compete, or would be likely to compete, directly or indirectly, with our principal business, which would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Non-Competition Agreement with our Company to the effect that each of them will not, and will procure its subsidiaries (other than our Group) and his/her/its close associate(s) (as appropriate) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, our principal business.

DIRECTORS' COMPETING INTERESTS

Save as disclosed in this prospectus, the Directors have confirmed that they did not have any interests in any business which directly or indirectly competes or is likely to compete with our principal business, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION AGREEMENT

Non-competition

We entered into the Non-Competition Agreement with the Controlling Shareholders on 20 October 2014, under which the Controlling Shareholders agreed not to, and to procure its subsidiaries and his/her/its respective close associate(s) (as appropriate) (other than our Group) not to compete, either directly or indirectly, with our principal business and granted to our Group the option for new business opportunities, option for acquisitions and pre-emptive rights.

The Controlling Shareholders have further irrevocably undertaken in the Non-Competition Agreement that, during the term of the Non-Competition Agreement, it/he/she (as appropriate) will not, and will also procure its subsidiaries and his/her/its respective close associate(s) (as appropriate) (other than our Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our principal business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Non-Competition Agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The foregoing restrictions do not apply to (1) the purchase by the Controlling Shareholders, its subsidiaries or his/her/its close associate(s) (as appropriate) for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with our principal business; or (2) the holding by TGL, its subsidiaries or his/her/its close associate(s) (as appropriate) of not more than 10% equity interest in other companies whose business competes or is likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as “Investment Companies” for scenarios (1) and (2)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which the Controlling Shareholders, its subsidiaries or his/her/its close associate(s) (as appropriate) are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interests of such Investment Companies are being held by the Controlling Shareholders, its subsidiaries or his/her/its close associate(s) (as appropriate).

Options for New Business Opportunities

The Controlling Shareholders have undertaken in the Non-Competition Agreement that, during the term of the Non-Competition Agreement, if the Controlling Shareholders and/or its subsidiaries and/or his/her/its close associate(s) (as appropriate) (other than our Group) become aware of a business opportunity which competes, or may compete, directly or indirectly with our principal business, the Controlling Shareholders will notify us in writing immediately and provide to us all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity (“Offer Notice”). The Controlling Shareholders are also obliged to use their best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable. We are entitled to decide whether or not to take up such business opportunity within 30 business days from receiving the Offer Notice (subject to our request to extend the notice period of 30 business days), subject to compliance with the applicable requirements under the Listing Rules.

The Controlling Shareholders will use their best efforts to procure their respective close associate(s) and/or its subsidiaries (as appropriate) (other than our Group) to offer to us an option to acquire any new business opportunity which competes, or is likely to complete, directly or indirectly with our principal business according to the terms of the Non-Competition Agreement.

If we decide not to take up the new business opportunity for any reason or do not respond to the Controlling Shareholders and/or its subsidiaries and/or his/her/its close associate(s) (as appropriate) within 30 business days from receiving the Offer Notice (subject to our request to extend the notice period of 30 business days), we should be deemed to have decided not to take up such new business opportunity, and the Controlling Shareholders and/or its subsidiaries and/or his/her/its close associates (as appropriate) may operate such new business opportunity on its own.

Option for Acquisitions

In relation to any new business opportunity of the Controlling Shareholders referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by the Controlling Shareholders or any of its subsidiaries or any of his/her/its close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, the Controlling Shareholders have

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

undertaken to grant us the option, which is exercisable at any time during the term of the Non-Competition Agreement, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business as described above, or to operate the new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our option for acquisitions shall be subject to such third party rights. In this case, the Controlling Shareholders will use their best efforts to procure the third party to waive its pre-emptive right. As of the Latest Practicable Date, the Directors are not aware of any existing third parties' pre-emptive rights.

The Controlling Shareholders shall use their best efforts to procure its subsidiaries and/or his/her/its close associate(s) (as appropriate) (other than our Group) to comply with the option granted to us by the Controlling Shareholders above. The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by a third party professional valuer (selected by both the Controlling Shareholders and us) and the mechanism and procedure provided by applicable laws and regulations.

Pre-emptive Right

The Controlling Shareholders have undertaken that, during the term of the Non-Competition Agreement, if it intends to transfer, sell, lease, license or otherwise permit to use, to a third party any new business opportunity of the Controlling Shareholders referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by the Controlling Shareholders or any of its subsidiaries or any of his/her/its close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, the Controlling Shareholders or its subsidiaries or any of his/her/its close associate(s) (as appropriate) shall notify us by written notice ("Selling Notice") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company. We shall reply to the Controlling Shareholders and/or its subsidiaries and/or his/her/its close associate(s) (as appropriate) within 30 business days after receiving the Selling Notice. The Controlling Shareholders and/or its subsidiaries and/or his/her/its close associate(s) (as appropriate) (other than our Group) has undertaken that until it receives the reply from us, it shall not notify any third party of the intention to transfer, sell, lease or license the business. If our Company decides not to exercise its pre-emptive right or if our Company does not reply within the agreed time period, or if our Company does not accept the terms as set out in the Selling Notice and issues to the Controlling Shareholders a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to the Controlling Shareholders or its subsidiaries or any of his/her/its close associate(s) (as appropriate) following negotiation between the parties under the fair and reasonable principle, the Controlling Shareholders or its subsidiaries or any of his/her/its close associate(s) (as appropriate) is entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice.

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The Controlling Shareholders shall procure its subsidiaries, and his/her/its close associate(s) (as appropriate) (other than our Group) to comply with the above pre-emptive right.

Decision-making as to Whether To Take Up The Options Or Pre-emptive Right

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for new business opportunity or the option for acquisitions or our pre-emptive right. In assessing whether or not to exercise such option(s) or pre-emptive right, the independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape and form their views based on the best interest of the Shareholders and our Company as a whole. Where necessary, our independent non-executive Directors will consider to engage an independent third party valuer to conduct evaluation. Our independent non-executive Directors are also entitled to engage a financial advisor, at the cost of our Company in this connection.

The Controlling Shareholders' Further Undertakings

Each of the Controlling Shareholders has further undertaken that:

- (i) it will provide all information necessary for our independent non-executive Directors to review the Controlling Shareholders', its subsidiaries' and his/her/its close associate(s)' (as appropriate) compliance with and enforcement of the Non-Competition Agreement;
- (ii) it consents to our disclosure of the decision made by the independent non-executive Directors in relation to the compliance with and enforcement of the Non-Competition Agreement in our annual report, or by way of announcement; and
- (iii) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Non-Competition Agreement for our disclosure in our annual report.

The Non-Competition Agreement will become effective upon Listing and remain in full force and be terminated upon the earlier of:

- (i) the Controlling Shareholders and its subsidiaries and his/her/its close associate(s) (as appropriate) (other than our Group), directly and/or indirectly in aggregation, holding less than 30% of our total issued share capital; or
- (ii) our H Shares no longer being listed on the Stock Exchange.

Our PRC Legal Advisers are of the view that the Non-Competition Agreement does not violate any applicable PRC laws, and the Controlling Shareholders undertakings pursuant to the Non-Competition Agreement are valid and binding obligations of the Controlling Shareholders under PRC laws after the Non-Competition Agreement takes effect, and may be enforced by us in the courts of the PRC thereafter.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by our Company.

- (a) our Directors will comply with our Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested;
- (b) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Non-Competition Agreement by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure its subsidiaries and his/her/its close associates (as appropriate) to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. Our Company will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Non-Competition Agreement and other connected transaction agreements in our annual report;
- (c) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new business opportunities offered during the year. Our Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public;
- (d) our Company has appointed China Everbright Capital Limited as the compliance advisor who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws; and
- (e) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Having considered the following factors, our Directors are satisfied that our Group will be able to be operationally and financially independent from our Controlling Shareholders and their respective close associates (other than our Group):

Management Independence — Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The following table sets forth a summary of the positions and roles held by our Directors, Supervisors and members of our senior management team within our Company and the Parent Group as at the Latest Practicable Date:

No.	Name	Position(s) with our Company	Major Positions with the Parent Group
1	Mr. Bian Yu	executive Director and chairman of the Board	non-executive director and chairman of TGL and holding non-executive positions in various subsidiaries of TGL
2	Mr. Bian Weican	executive Director	non-executive director of a subsidiary of TGL
3	Mr. Bian Jianguang	non-executive Director and vice-chairman of the Board	executive director and vice-chairman of TGL and executive directors of various subsidiaries of TGL
4	Mr. Zhang Yuanyuan	non-executive Director	president of TGL, executive directors and holding executive positions in various subsidiaries of TGL
5	Ms. Tam Hon Shan Celia	independent non-executive Director	None
6	Mr. Dang Xiaoqing	independent non-executive Director	None
7	Mr. Zhang Bing	independent non-executive Director	None
8	Ms. Bian Shu	Chairman of the Supervisory Committee (Employee representative Supervisor)	None
9	Mr. Fu Jun	Supervisor	None
10	Mr. Fang Zhiguo	Supervisor	None
11	Mr. Qiu Jinxin	general manager	None
12	Mr. Yu Yunjie	deputy general manager	None
13	Mr. Chen Jianguo	deputy general manager	None

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

No.	Name	Position(s) with our Company	Major Positions with the Parent Group
14	Mr. Wang Weizhong	Board secretary	None
15	Ms. Wu Fengdi	finance manager	None

Save as disclosed above, none of our Directors, Supervisors or members of the senior management holds any directorship or senior management position in TGL and/or its subsidiaries. Our executive Directors do not hold any executive role in the Parent Group. Our Company and the Parent Group are managed by different management teams. Therefore, there are sufficient non-overlapping Directors who are independent and have relevant experience to ensure the proper functioning of the Board.

Mr. Bian and Mr. Bian Weican are the executive Directors of our Company, and Mr. Bian is also the chairman of our Company. Mr. Bian and Mr. Bian Weican are in charge of our Group's day-to-day operations. They do not hold any executive positions or responsible for any day-to-day operations of the Parent Group. The daily operations of our Group are assisted by our senior management Mr. Qiu Jinxin, Mr. Chen Jianguo, Mr. Yu Yunjie, Mr. Wang Weizhong and Ms. Wu Fengdi who do not hold any position with the Parent Group.

Mr. Bian Jianguang and Mr. Zhang Yuanyuan are the non-executive Directors of our Company. They are principally responsible for formulating our corporate and business strategies and are not involved in our Group's day-to-day operations. They hold and will continue to hold positions in the Parent Group after the Listing.

We believe that our Directors and members of the senior management are able to perform their roles in our Company independently and that our Group is capable of managing our business independently from the Controlling Shareholders for the following reasons:

- (a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and that he does not allow any conflict between his duties as a Director and his personal interest;
- (b) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflicts of interest, such as consideration of resolutions in relation to transactions with the Parent Group, the relevant Directors who are connected with the Parent Group will abstain from voting and will not be counted towards the quorum of the relevant meeting. Furthermore, when considering connected transactions, only our independent non-executive Directors will review the relevant transactions;
- (c) the Controlling Shareholders do not operate any business that competes or potentially competes, directly or indirectly, with the principal business of our Group, and therefore there is limited competition issues that would adversely affect management independence;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) the Directors who hold positions with the Parent Group involving its day-to-day management are our non-executive Directors only. They are not involved in the day-to-day management of our Company, but are primarily responsible for making decisions on matters such as formulation of our general development strategy and corporate operation strategy as members of the Board of Directors. The day-to-day operation of our Company is managed by our executive Directors and senior management team who have substantial experience;
- (e) our Board comprises seven Directors and three of them are independent non-executive Directors who represent more than one-third of the members of the Board; it provides a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole.

Based on the above, our Directors believe that our Company is capable of maintaining management independence from the Controlling Shareholders.

Financial Independence — Our Group has an independent financial system and makes financial decisions according to its own business needs. The outstanding amount owed by our Group to our Controlling Shareholders and their close associates as at 31 March 2015 was RMB14.0 million, and save for the amounts payable by us to TGL, Zhejiang Jiasheng and Tianjie General Machinery for various transactions as set out in the section headed “Connected Transactions” of this prospectus, which will be settled in accordance with the terms of relevant agreements, all other balances will be fully repaid prior to the Listing. As at 31 March 2015, our bank borrowings of RMB169 million was guaranteed either directly or indirectly by our Controlling Shareholders. As at the Latest Practicable Date, our Group has obtained written consents in principle from the banks that such guarantees given directly and indirectly by our Controlling Shareholders will be released immediately upon Listing. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that our Company is capable of maintaining financial independence from the Controlling Shareholders.

Operational Independence — Our Group is in possession of all relevant licenses, production and operating facilities and technology relating to our business. Currently, our Group engages in our business independently, with the independent right to make operational decisions and implement such decisions. The principal raw materials and equipment we use are generally widely available and we are not dependent on our Controlling Shareholders for our supplies. Our Group also has direct and close contact with our ultimate customers without dependence on our Controlling Shareholders. Our Group has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders.

We have our own organisational structure with independent departments and business and administrative units, each with specific areas of responsibility.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Although during the Track Record Period, there have been certain transactions between us and the related parties, details of which are set out in Note 35 in the Accountants' Report, our Directors have confirmed that these related party transactions, if trade related, were conducted on normal commercial terms. Save as disclosed below and in the section headed "Connected Transactions" of this prospectus, none of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to continue after the Listing.

One of the discontinued related party transactions is relating to our revenue deemed to be derived from TGL because of the transitional arrangement for those subsisting contracts relating to provision of atmospheric pollution control solutions which was entered into by TGL prior to the transfer of business from TGL to our Group in 2010. For details, please refer to the sections headed "Business — Customers". For other related party transactions, please refer to Note 35 in the Accountants' Report.

As at the Latest Practicable Date, all those contracts under the said transitional arrangement were finished save for two subsisting contracts signed by TGL with two customers in around September 2007 ("**2007 Contract**") and September 2010 ("**2010 Contract**") for an initial contract sum of RMB41.6 million and approximately RMB19.8 million, respectively. The outstanding contract amount for the 2007 Contract and the 2010 Contract as at 31 March 2015 were RMB25.9 million and RMB4.0 million respectively. Such amounts were included in the Group's backlog as at 31 March 2015.

The 2007 Contract was partially performed in 2010 and the remaining part was suspended pending the government approval for the customer's expansion project. TGL is not aware when the relevant customer would obtain the government approval and whether the 2007 Contract would resume and new price and terms could be agreed with the relevant customer at that time. In the event that the 2007 Contract would resume, TGL would undertake to procure to novate the 2007 Contract to us (if the relevant customer consents) or subcontract to us for completing the relevant project, in which case we will comply with the Listing Rules regarding this potential one-off connected transaction.

The 2010 Contract was partially performed and was novated by TGL to us on 1 July 2015. The 2010 Contract is expected to be completed prior to the end of 2016.

Having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group does not share our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates; and (iii) all the subsisting contracts (except the 2007 and 2010 Contracts) under the transitional arrangement with TGL in 2010 have been completed, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which will continue following the Listing and will constitute continuing connected transactions within the meaning of the Listing Rules.

CONNECTED PERSONS

1. TGL

TGL mainly engages in the business of, amongst other things, manufacturing and sale of machineries and spare parts, the sale of steel, building materials and other chemical products, scrap metals recycling and the construction and operation of wind power farms and it is also the holding company of various subsidiaries (including our Group). Other businesses engaged by TGL's subsidiaries outside our Group are summarised in the section headed "Relationship with Controlling Shareholders — Delineation of Business" in this prospectus. As at the Latest Practicable Date, TGL was owned as to 100% by the Bian Family.

2. Tianjie New Materials

Tianjie New Materials mainly engages in the business of manufacturing, processing and sale of metal materials. As at the Latest Practicable Date, Tianjie New Materials was owned as to 100% by TGL.

3. Zhejiang Jiasheng

Zhejiang Jiasheng mainly engages in the business of research and development and sales of new metal materials. As at the Latest Practicable Date, Zhejiang Jiasheng was owned as to 80% by TGL.

4. Tianjie General Machinery

Tianjie General Machinery mainly engages in the business of, amongst other things, manufacturing and sales, metal processing for machineries, metallurgical machineries, cement machineries, printing machineries and general components and research and development, manufacturing and sales of wind turbines and equipment. As at the Latest Practicable Date, Tianjie General Machinery was owned as to 100% by TGL.

TGL is our Controlling Shareholder, Tianjie New Materials, Zhejiang Jiasheng and Tianjie General Machinery are the subsidiaries of TGL. Therefore Tianjie New Materials, Zhejiang Jiasheng and Tianjie General Machinery are associates of TGL. Accordingly, the following transactions between each of TGL, Tianjie New Materials, Zhejiang Jiasheng and Tianjie General Machinery on the one hand, and our Group, on the other hand, which will continue after the Listing of the H Shares on the Stock Exchange, will constitute continuing connected transactions for our Group under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

The following table is a summary of our continuing connected transactions:

Nature of Transaction	Applicable Hong Kong Listing Rules	Waiver Sought	Proposed Annual Cap for the Year Ending 31 December		
			2015	2016	2017
<i>(RMB'000)</i>					
<i>Exempt continuing connected transaction</i>					
Tianjie New Materials Tenancy Agreement	14A.76(1)	N/A	1,085	1,085	1,085
Power Supply Agreement	14A.97	N/A	3,800	3,800	3,800
<i>Non-exempt continuing connected transaction</i>					
Leases of various premises by connected persons to us	14A.76(2)	Waiver from the announcement requirements	4,018	4,018	4,018
Processing Service Agreement	14A.76(2)	Waiver from the announcement requirements	15,000	15,000	15,000

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Leasing of premises to Tianjie New Materials for industrial use

Background

We, as lessor, have entered into a tenancy agreement dated 25 April 2015 (“Tianjie New Materials Tenancy Agreement”) with Tianjie New Materials, as lessee, for a term ending on 31 December 2017 for industrial use. The plant on the premises is used as the production and processing of goods. It comprises a total gross floor area of approximately 15,500 sq.m., and is situated at Tengy Industrial Park, Guanming Village, Yang Fu Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC. Pursuant to the Tianjie New Materials Tenancy Agreement, we shall receive from Tianjie New Materials an annual rental in the sum of RMB1,084,650.

Reasons for the transaction

The plant on the premises is not suitable for manufacturing of our large scale production equipment and therefore we have leased the plant to Tianjie New Materials for manufacturing its products in return for rental.

CONNECTED TRANSACTIONS

Pricing Policy

The annual rental payable under the Tianjie New Materials Tenancy Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality. A firm of professional surveyors and valuers independent of our Group has reviewed the annual rental payable for the lease under the Tianjie New Materials Tenancy Agreement and has confirmed that it is fair, reasonable and is consistent with the prevailing market rates of similar properties in the locality.

Historical transaction value

Our Company has commenced leasing the premises to Tianjie New Materials since January 2012, and for the three years ended 31 December 2014 and the three months ended 31 March 2015, the aggregate rental receivable by us from Tianjie New Materials were RMB1,084,650, RMB1,084,650, RMB1,084,650 and RMB271,162.5, respectively.

Annual caps

The annual rental payable by Tianjie New Materials to us is fixed at RMB1,084,650, which is the amount payable by Tianjie New Materials during the Track Record Period, which is fixed for a period ending 31 December 2017, therefore, the maximum annual cap for the lease under the Tianjie New Materials Tenancy Agreement, for each of the three years ending 31 December 2017 shall not exceed the annual caps set out below:

	Proposed Annual Cap for the Year Ending 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>		
Total rental:	<u>1,085</u>	<u>1,085</u>	<u>1,085</u>

Basis of annual caps

The above annual caps were mainly determined with reference to the historical annual rental paid by Tianjie New Materials to us and the prevailing market rate of similar properties in the locality.

Listing Rules implications

Given that the annual transaction amount under the Tianjie New Materials Tenancy Agreement is expected to be approximately RMB1,084,650, which is below HK\$3,000,000 and each of the applicable percentage ratios (other than the profits ratio) for such transaction for each of the three years ending 31 December 2017, is expected to be less than 5%, the transaction under the Tianjie New Materials Tenancy Agreement, which constitute a de minimis continuing connected transaction after the Global Offering, will be exempted from reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

2. Power Supply Agreement for electricity supply for various premises leased by TGL to us under TGL Office Lease Agreement and Industrial TGL Tenancy Agreement

Background

We, have entered into a power supply agreement dated 25 April 2015 (“TGL Power Supply Agreement”) with TGL, for a term ending on 31 December 2017. Pursuant to TGL Power Supply Agreement, TGL agreed to procure supply of electricity to us in the premises leased by us under TGL Office Lease Agreement and Industrial TGL Tenancy Agreement in relation to daily operation of our office and the manufacturing and processing of goods which include the outer casings of the precipitators.

Payment will be made by our Company to TGL on a cost basis on 25th day of each month in accordance with the actual amount of electricity consumed by our Company of each month and such consumption amount shall be confirmed by both parties by jointly inspecting the readings on the relevant meter(s) on 5th day of each month.

Reasons for the transaction

We began to use the premises under TGL Office Lease Agreement and Industrial TGL Tenancy Agreement during the Track Record Period, and such premises are owned by TGL and accordingly the power supply services registered with the relevant power enterprises are in the name of TGL. Any procurement for alternate source of power supply will cause unnecessary costs and disruption.

Pricing Policy

TGL will not charge additional cost and the price for the provision of electricity supply is determined with reference to the fee scale implemented by the PRC government.

Historical transaction value

For the three years ended 31 December 2014 and the three months ended 31 March 2015, the aggregate transaction amount payable by our Company to TGL were approximately RMB4,783,000, RMB2,498,000, RMB3,353,000 and RMB847,522.69, respectively.

Annual Caps

The annual cap amounts of the electricity charge to be paid by our Group for the supply of electricity under the TGL Power Supply Agreement for the three years ending 31 December 2017 are as follows:

	Years ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Supply of electricity	3,800	3,800	3,800

CONNECTED TRANSACTIONS

Basis of annual caps

The above annual caps were mainly determined with reference to the historical transaction amounts payable by us to TGL, the estimated business growth of our Group and the future expansion plan of our Group.

Listing Rules implications

The power supply service is “consumer services” on the basis that such service is (i) of a type ordinarily supplied for our private use or consumption; (ii) for our own consumption or use and there is an open market and transparency in the pricing of the service; (iii) consumed or used by us in the same state as when they were bought; and (iv) of terms no less favourable to our Group than those terms available to independent third parties.

On the basis of the above and given that our use of the power supply service under the TGL Power Supply Agreement is on normal commercial terms in its ordinary and usual course of business, the transactions under the TGL Power Supply Agreement are fully exempt from the reporting, announcement and independent shareholders’ approval requirements under Rule 14A.97 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

3. Leases of various premises by TGL and Zhejiang Jiasheng to us

Our Company has entered into various leases as lessee with TGL and Zhejiang Jiasheng, as lessors and details of those leases are provided below.

a. TGL Office Lease Agreement

Background

We, as lessee, have entered into a tenancy agreement dated 25 April 2015 (“TGL Office Lease Agreement”) with TGL, as lessor, for a term ending on 31 December 2017 for use as office building. It comprises about half of the area at Tianjie Group Office Building with a gross floor area of approximately 2,700 sq.m. situated at Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC. Pursuant to the TGL Office Lease Agreement, we shall pay to TGL an annual rental in the sum of RMB250,000. We have the right to renew the lease subject to compliance with all applicable laws and regulations of the PRC and the requirements of the Listing Rules.

The lessor has also granted us an option to purchase the premises subject to the terms of the lease. Such option is exercisable in whole or in part with respect to such premises. The purchase price of the premises shall be the higher of: (i) the fair market value of the relevant premises at the time of exercise of the option; and (ii) an amount calculated by reference to the net book value of the relevant premises at the time the lease commenced, the rental, the leasing period and our Group’s financing costs.

CONNECTED TRANSACTIONS

Reasons for the transaction

We began to use the above premises during the Track Record Period mainly for use as office building. Any relocation will cause unnecessary costs and disruption.

Pricing policy

The annual rental payable under the TGL Office Lease Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality. A firm of professional surveyors and valuers independent of our Group has reviewed the annual rental payable for the lease under the TGL Office Lease Agreement and has confirmed that it is fair, reasonable and is consistent with the prevailing market rates of similar properties in the locality.

Historical transaction value

For the two years ended 31 December 2013, we did not pay any annual rental to TGL due to the fact that TGL is the Controlling Shareholder of our Company.

The rental payable to TGL for the year ended 31 December 2014 and the three months ended 31 March 2015 was RMB250,000 and RMB62,500.00, respectively.

Annual caps

The annual rental payable by our Company to TGL under the TGL Office Lease Agreement is fixed at RMB250,000, which is fixed for a period ending 31 December 2017. Therefore, the maximum annual cap for the lease under the TGL Office Lease Agreement, for each of the three years ending 31 December 2017 shall not exceed the annual caps set out below:

	Proposed Annual Cap for the Year Ending 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>		
Total rental:	<u>250</u>	<u>250</u>	<u>250</u>

Basis of annual caps

The above annual caps were mainly determined with reference to the prevailing market rate of the similar properties in the locality.

CONNECTED TRANSACTIONS

b. Zhejiang Jiasheng Office Lease Agreement

Background

We, as lessee, have entered into a tenancy agreement dated 25 April 2015 (“**Zhejiang Jiasheng Office Lease Agreement**”) with Zhejiang Jiasheng, as lessor, for a term ending on 31 December 2017 for use as office premises and planned for production purpose. It comprises a gross floor area of approximately 25,000 sq.m., and is situated at south of Haihe Road, west of Xinggang Road, Dushangang Town, Pinghu City, Zhejiang Province, the PRC. Pursuant to the Zhejiang Jiasheng Office Lease Agreement, we shall pay to Zhejiang Jiasheng an annual rental in the sum of RMB500,000. We have the right to renew the lease subject to compliance with all applicable laws and regulations of the PRC and the requirements of the Listing Rules.

The lessor has also granted us an option to purchase the premises subject to the terms of the lease. Such option is exercisable in whole or in part with respect to such premises. The purchase price of the premises shall be the higher of: (i) the fair market value of the relevant premises at the time of exercise of the option; and (ii) an amount calculated by reference to the net book value of the relevant premises at the time the lease commenced, the rental, the leasing period and our Group’s financing costs.

Reasons for the transaction

We mainly used the premises as office premises and planned production purpose and any relocation will cause unnecessary costs and disruption.

Pricing policy

The annual rental payable under the Zhejiang Jiasheng Office Lease Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality. A firm of professional surveyors and valuers independent of our Group has reviewed the annual rental payable for the lease under the Zhejiang Jiasheng Office Lease Agreement and has confirmed that it is fair, reasonable and is consistent with the prevailing market rates of similar properties in the locality.

Historical transaction value

Zhejiang Jiasheng has commenced leasing the premises to us since 1 September 2013. For the four months ended 31 December 2013, the year ended 31 December 2014 and the three months ended 31 March 2015, the aggregate rental payable by us to Zhejiang Jiasheng were RMB166,666.68, RMB500,000 and RMB125,000.00, respectively.

CONNECTED TRANSACTIONS

Annual caps

The annual rental payable by our Company to Zhejiang Jiasheng under the Zhejiang Jiasheng Office Lease Agreement is fixed at RMB500,000. Therefore, the maximum annual cap for the Zhejiang Jiasheng Office Lease Agreement, for each of the three years ending 31 December 2017 shall not exceed the annual caps set out below:

	Proposed Annual Cap for the Year Ending 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>		
Total rental:	<u>500</u>	<u>500</u>	<u>500</u>

Basis of annual caps

The above annual caps were mainly determined with reference to the prevailing market rate of similar properties in the locality.

c. Industrial TGL Tenancy Agreement

Background

We, as lessee, have entered into a tenancy agreement dated 25 April 2015 (“Industrial TGL Tenancy Agreement”) with TGL, as lessor, for a term ending on 31 December 2017 for industrial use. The premises is used by our Company as a factory for the manufacturing and processing of goods which includes the outer casings of the precipitators. It comprises a gross floor area of approximately 46,700 sq.m., and is situated at Tengy Industrial Park, Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC. Pursuant to the Industrial TGL Tenancy Agreement, we shall pay TGL an annual rental of RMB3,267,567.8. We have the right to renew the lease subject to compliance with all applicable laws and regulations of the PRC and the requirements of the Listing Rules.

The lessor has also granted us an option to purchase the premises subject to the terms of the lease. Such option is exercisable in whole or in part with respect to such premises. The purchase price of the premises shall be the higher of: (i) the fair market value of the relevant premises at the time of exercise of the option; and (ii) an amount calculated by reference to the net book value of the relevant premises at the time the lease commenced, the rental, the leasing period and our Group’s financing costs.

Reasons for the transaction

We began to use the above premises during the Track Record Period mainly for industrial use. Any relocation will cause unnecessary costs and disruption.

CONNECTED TRANSACTIONS

Pricing Policy

The annual rental payable under the Industrial TGL Tenancy Agreement is determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality. A firm of professional surveyors and valuers independent of our Group has reviewed the annual rental payable for the lease under the Industrial TGL Tenancy Agreement and has confirmed that it is fair, reasonable and is consistent with the prevailing market rates of similar properties in the locality.

Historical transaction value

For the three years ended 31 December 2014 and the three months ended 31 March 2015, the aggregate rental payable by our Company to TGL were approximately RMB3,267,567.8, RMB3,267,567.8, RMB3,267,567.8 and RMB816,891.84, respectively.

Annual caps

The annual rental payable by our Company to TGL under the Industrial TGL Tenancy Agreement is fixed at RMB3,267,567.8 for a period ending 31 December 2017. Therefore, the maximum annual cap for the lease under the Industrial TGL Tenancy Agreement, for each of the three years ending 31 December 2017 shall not exceed the annual caps set out below:

	Proposed Annual Cap for the Year Ending 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>		
Total rental:	<u>3,268</u>	<u>3,268</u>	<u>3,268</u>

Basis of annual caps

The above annual caps were mainly determined with reference to the historical annual rental paid by us to TGL and the prevailing market rate of similar properties in the locality.

Listing Rules implications

Pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, since (i) TGL is our Controlling Shareholder and Zhejiang Jiasheng is a subsidiary of TGL, and therefore both are connected persons of our Company; and (ii) our Company's transactions with these entities, being leases of various premises in which these entities are lessors and we are lessee, are of a similar nature, the leases with these entities will be aggregated and treated as if they were one transaction. Accordingly, the annual caps in respect of the leases with each of these entities are aggregated and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Given that the aggregated annual transaction amount under the TGL Office Lease Agreement, Zhejiang Jiasheng Office Lease Agreement and the Industrial TGL Tenancy Agreement is expected to be approximately RMB4,018,000, each of the applicable percentage ratios (other than the profits ratio) for such aggregated transaction for each of the three years ending 31 December 2017, is expected to be less than 5%, they constitute a continuing connected transaction after the Global Offering, and will be exempted from the circular and independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

4. *Processing Services Agreement*

Background

We, as purchaser, have entered into a processing service agreement dated 25 April 2015 ("Processing Service Agreement") with Tianjie General Machinery, as service provider, for a term ending on 31 December 2017, pursuant to which Tianjie General Machinery agreed to provide processing services such as the processing of steel to our Group.

Reasons for the transaction

Tianjie General Machinery has been providing us with processing services since January 2012 and Tianjie General Machinery is familiar with our products and requirements. Since January 2012, Tianjie General Machinery has been providing us processing services with consistent quality. Further, due to the geographical proximity between us and Tianjie General Machinery, the transportation costs are relatively low. Our Directors consider that it is in our Group's interests to continue our relationship with Tianjie General Machinery and source such processing services from Tianjie General Machinery upon the Listing.

Despite the above reasons, we believe there are adequate processing service providers in the market and we are able to identify suitable processing service providers in the market at any time.

Pricing Policy

In order to ensure that our purchases of processing services from Tianjie General Machinery are fair and reasonable and in line with market practices, we will make regular contacts with independent suppliers to keep ourselves abreast of the market conditions. Further, before we place any purchase order of our processing services, we will also obtain quotations from comparable processing services that may be available from other independent suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price.

Historical transaction value

Our Company commenced purchasing the processing services from Tianjie General Machinery since January 2012. For the three years ended 31 December 2014 and the three months ended 31 March 2015, the aggregate service fees payable by our Group for the services provided by Tianjie General Machinery were approximately RMB2,275,000, RMB4,964,000, RMB14,476,000 and

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RMB1,474,706.25, respectively. The increase in the service fees payable by our Group to Tianjie General Machinery for the three years ended 31 December 2014 and the three months ended 31 March 2015 was mainly due to our increase in sales volume during the same period and the launch of our new precipitator in 2012, namely mobile plate electrostatic precipitator, and the diversification of our product range in 2013, namely wet electrostatic precipitators, both of which require higher volume of processing services.

Annual caps

The annual cap amounts of the processing service fees to be paid by our Group for the processing services under the Processing Service Agreement for the three years ending 31 December 2017 are as follows:

	Years ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Processing service	15,000	15,000	15,000

Basis of annual caps

The above annual caps were mainly determined with reference to the historical processing service fees payable by us to Tianjie General Machinery, and the expected market condition for the three years ending 31 December 2017.

Listing Rules implications

Given that the annual transaction amount under the Processing Service Agreement is expected to be approximately RMB15,000,000, each of the applicable percentage ratios (other than the profits ratio) for such transaction for each of the three years ending 31 December 2017, is expected to be less than 5%, it constitutes a continuing connected transaction after the Global Offering, will be exempted from the circular and independent shareholders' approval requirements but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVERS

As the non-exempt continuing connected transactions will continue after the Listing on a recurring basis, the Directors consider that strict compliance with the announcement requirements under the Listing Rules would be burdensome and would add unnecessary administrative costs to our Company each time when such transactions arise. Therefore, our Company, pursuant to Rule 14A.105 of the Listing Rules, has applied to the Stock Exchange for and the Stock Exchange has agreed to grant a waiver to our Company from compliance with the announcement requirements, subject to the aggregate value of each of the non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount as stated above.

CONNECTED TRANSACTIONS

Confirmation from Directors

The Directors (including the independent non-executive Directors) confirm that the above continuing connected transactions have been entered into in the ordinary and usual course of our Group's business and are based on normal commercial terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and that the annual caps for each of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Confirmation from the Sole Sponsor

Having taken into account the information above, the Sole Sponsor considers that:

- (i) the above continuing connected transactions have been entered in the ordinary and usual course of business of our Group on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (ii) the annual caps set for the above continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

GENERAL

The following table sets forth information regarding our current Directors, Supervisors and senior management.

Our Directors

Name	Age	Position	Date of Joining our Group	Date of Appointment as Director	Roles and Responsibilities	Relationships with other Directors, Supervisors and other members of senior management
Mr. BIAN Yu (邊宇)	32	Chairman of the Board and executive Director	28 December 2009	28 December 2009	Primarily responsible for the overall management, operations and reviewing the corporate directions and strategies of our Group	Son of Mr. Bian Jianguang, brother of Ms. Bian Shu, brother-in-law of Mr. Zhang Yuanyuan and nephew of Mr. He Jianmin
Mr. BIAN Weican (邊偉燦)	55	Executive Director	28 December 2009	28 December 2009	Primarily responsible for the overall management, operations and reviewing the corporate directions and strategies of our Group	None
Mr. BIAN Jianguang (邊建光)	60	Vice chairman of the Board and non-executive Director	28 December 2009	28 December 2009	Primarily responsible for providing strategic advice to our Group and attending meetings of the Board to perform duties, but not engaged in daily management of our business operation	Father of Mr. Bian and Ms. Bian Shu, father-in-law of Mr. Zhang Yuanyuan and brother-in-law of Mr. He Jianmin's spouse
Mr. ZHANG Yuanyuan (章袁遠)	34	Non-executive Director	28 December 2009	28 December 2009	Primarily responsible for providing strategic advice to our Group and attending meetings of the Board to perform duties, but not engaged in daily management of our business operation	Spouse of Ms. Bian Shu, brother-in-law of Mr. Bian, and son-in-law of Mr. Bian Jianguang
Ms. TAM Hon Shan Celia (譚漢珊)	43	Independent non-executive Director	15 September 2014	15 September 2014	Primarily responsible for providing independent opinion and judgement to our Board, in particular with regard to the financial aspects of our Company	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Joining our Group	Date of Appointment as Director	Roles and Responsibilities	Relationships with other Directors, Supervisors and other members of senior management
Mr. DANG Xiaqing (黨小慶)	51	Independent non-executive Director	15 September 2014	15 September 2014	Primarily responsible for providing independent opinion and judgement to our Board	None
Mr. ZHANG Bing (張炳)	33	Independent non-executive Director	15 September 2014	15 September 2014	Primarily responsible for providing independent opinion and judgement to our Board	None

Our Supervisors

Name	Age	Position	Date of Joining our Group	Date of Appointment	Roles and Responsibilities	Relationships with other Directors, Supervisors and other members of senior management
Ms. BIAN Shu (邊姝)	34	Chairman of the Supervisory Committee (Employee representative Supervisor)	28 December 2009	10 May 2014	Presiding over the functions of the Supervisory Committee and supervising our Company's operation and financial activities on behalf of employees	Spouse of Mr. Zhang Yuanyuan, sister of Mr. Bian, daughter of Mr. Bian Jianguang and niece of Mr. He Jianmin
Mr. FU Jun (傅均)	35	Supervisor	18 October 2014	18 October 2014	Supervising our Company's operation and financial activities	None
Mr. FANG Zhiguo (方治國)	38	Supervisor	18 October 2014	18 October 2014	Supervising our Company's operation and financial activities	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Senior Management

Name	Age	Position	Date of Joining our Group	Date of Appointment	Roles and Responsibilities	Relationships with other Directors, Supervisors and other members of senior management
Mr. QIU Jinxin (邱金鑫)	53	General manager	17 September 2012	10 May 2014	Primarily responsible for the daily operation and management of our Company; participating in formulating and implementing our Company's overall corporate operation and business strategies	None
Mr. WANG Weizhong (王偉忠)	44	Board secretary	1 April 2014	15 September 2014	Participating in the daily operation and management of our Company; and responsible for the daily secretarial work of the Board and investor relationship	None
Ms. WU Fengdi (吳鳳娣)	32	Finance manager	28 December 2009	28 December 2009	Participating in the daily operation and responsible for finance management work	None
Mr. YU Yunjie (余運節)	42	Deputy general manager	28 December 2009	3 May 2010	Participating in the daily operation and management and responsible for operation of research and development centre, project management department and engineering service department	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Joining our Group	Date of Appointment	Roles and Responsibilities	Relationships with other Directors, Supervisors and other members of senior management
Mr. CHEN Jianguo (陳建國)	55	Deputy general manager	28 December 2009	3 May 2010	Participating in the daily operation and management as well as major decision-making of our Company; and responsible for operation management of the planning department, production department, quality control department and engineering service department	None

BOARD OF DIRECTORS

Our Board currently consists of seven members, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of the Board include convening Shareholders' meetings and reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the Articles of Association. Each of the Directors has entered into a service contract with our Group.

Executive Directors

Mr. BIAN (邊宇), aged 32, is the chairman of the Board and an executive Director of our Company. He was appointed as a Director of our Company and the chairman of the Board since 28 December 2009. Mr. Bian has approximately 11 years of experience in the business of provision of atmospheric pollution control solutions. Mr. Bian is currently also the executive director of our subsidiaries including Tianjie Electronic and Technology, Tianjie Installation Engineering and Turpan Environmental since June 2009, March 2008 and July 2013 respectively.

Mr. Bian has worked as a director in TGL since August 2003. He was responsible for the overall strategies, planning and business development of TGL. Particularly, he focused on the management of the business of the provision of atmospheric pollution control solutions carried on by TGL prior to the establishment of our Company in December 2009. From September 2005 to December 2007, he has served in various positions such as general commander and general manager in different departments in the subsidiaries of TGL such as Tianjie Special Steel, Tianjie New Materials and Zhejiang Tianjie Magnetic Materials Co., Ltd*. (浙江天潔磁性材料股份有限公司) which were principally engaged in manufacturing, processing and marketing of steel blade and he was mainly responsible for the overall operation and production management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

He worked as a director in various companies such as Tianjie General Machinery (being principally engaged in manufacturing and marketing of machinery and parts) since April 2008, Tianjie Metal Material (being principally engaged in sale of metal materials, construction materials and chemical raw materials) from July 2010 to October 2012, Shanghai Guotuo Mining Investments Limited* (上海國拓礦業投資有限公司) (being principally engaged in management and exploration of mines and development of mining technology) from July 2010 to May 2015, Zhuji Tengy Small Loan Co. Ltd (諸暨市天潔小額貸款有限公司) (being principally engaged in providing small loan and financial consultancy service in Zhuji City) since June 2011, and as chairman of the board of Zhuji City Tianyu Industry Investment Ltd* (諸暨市天宇實業投資有限公司) (being principally engaged in real estate development and property investment) since November 2010 and of Zhuji Runtian (being principally engaged in property management) since September 2011 and he was mainly responsible for giving advice on operation and business strategy.

Mr. Bian is currently the standing council member (常務理事) of the second Council of Zhejiang Association of Equipment Industries for Environmental Protection (浙江省環保裝備行業協會第二屆理事會). He is also the deputy officer member* (副主任委員) of the sixth Electrostatic Precipitator Committee of The Environmental Protection Industry* (中國環境保護產業協會電除塵委員會第六屆電除塵委員會) since February 2014.

Mr. Bian graduated with a bachelor's degree in mechanical engineering and automation from Zhejiang University (浙江大學) in June 2005. He obtained his master of science degree in corporate and international finance from University of Durham in the United Kingdom in January 2008. He is the son of Mr. Bian Jianguang, the brother of Ms. Bian Shu, and the brother-in-law of Mr. Zhang Yuanyuan.

Mr. Bian is a member of the Bian Family and the Bian Family is a Controlling Shareholder of our Company. For further details, please refer to the section headed "Relationship with Controlling Shareholders — Overview" in this prospectus.

Mr. BIAN Weican (邊偉燦), aged 55, is the executive Director of our Company. He was appointed as the Director of our Company since 28 December 2009. Mr. Bian Weican has approximately 23 years of experience in the business of provision of atmospheric pollution control solutions.

Mr. Bian Weican worked as a worker of Zhuji County Mechanical Model Plant* (諸暨縣機械模型廠) (being principally engaged in the processing and production of machinery mould) from February 1982 to January 1985 in which he was responsible for manufacturing machinery mould. He worked as the supply procurement manager of Zhuji County Cement Machinery Plant* (諸暨縣水泥機械廠) (being principally engaged in the production and sale of cement machinery equipment) from February 1985 to June 1989 in which he was responsible for the procuring of raw materials. From July 1989 to May 1995, he worked as the supply procurement manager of Zhejiang Zhuji City Industrial Environmental Protection Equipment Factory* (浙江省諸暨市工業環保設備總廠) which was principally engaged in the production and marketing of industrial environmental protection equipment and he was responsible for the procuring of raw materials. He worked as the director of the material procuring department of TGL from June 1995 to August 2013 in which he was responsible for the materials procurement planning and management of suppliers.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Bian Weican graduated from Zhuji County Tongshan Community High School (諸暨縣同山人民公社中心學校) in Zhejiang Province in July 1976.

Non-executive Directors

Mr. BIAN Jianguang (邊建光), aged 60, is the vice chairman of the Board and a non-executive Director of our Company. He was appointed as the vice chairman of the Board of our Company on 28 December 2009. Mr. Bian Jianguang has approximately 25 years of experience in the business of the provision of atmospheric pollution control solutions.

Mr. Bian Jianguang worked as the factory director of Zhuji County Mechanical Model Plant* (諸暨縣機械模型廠) (being principally engaged in the processing and production of machinery mould) from February 1982 to January 1985 in which he was responsible for the overall management and business operation. From February 1985 to June 1989, he worked as the factory director of Zhuji County Cement Machinery Plant* (諸暨縣水泥機械廠) which was principally engaged in the production and sale of cement machinery equipment, and he was responsible for overall management and business operation. He worked as the factory director of Zhejiang Zhuji City Industrial Environmental Protection Equipment Factory* (浙江省諸暨市工業環保設備總廠) (being principally engaged in the production and marketing of industrial environmental protection equipment) from July 1989 to May 1995 in which he was responsible for the overall management and business operation. From June 1995 to August 2003, he served as the chairman of the board of directors and the executive director of TGL and he later resigned as chairman of the board of directors and have been serving as vice chairman of the board of directors of TGL since August 2003 and he was responsible for the overall management and business operation of TGL. He worked as the director of Tianjie General Machinery (being principally engaged in the manufacturing and marketing of machinery and parts) from November 1999 to April 2008 in which he was responsible for its overall management and business operation.

Mr. Bian Jianguang has been working as the general manager of Tianjie New Materials (principally engaged in manufacturing, processing and marketing of steel blade) since August 1997, Tianjie General Machinery (being principally engaged in manufacturing and marketing of machinery and parts) from November 1999 to January 2005, as an executive director for various companies such as Tianjie Special Steel (principally engaged in manufacturing, processing and marketing of steel blade) since March 2006, Zhuji City Tianjie Heavy Machines Limited* (諸暨市天潔重工機械有限公司) (being principally engaged in research, design and development of heavy machines) since October 2008, Akesu Xiantian Technology Limited* (阿克蘇新天科技有限公司) (being principally engaged in raw iron and sponge iron related business) since October 2011, and he was mainly responsible for day to day operation and management, and overall business management in these companies.

Mr. Bian Jianguang once served as the chairman and legal representative of 重慶天潔實業有限公司 (Chongqing Tianjie Industry Co Ltd*), a company incorporated in the PRC. Its business scope includes sales of construction and decoration materials. Since this company no longer carried on business and did not conduct annual inspection, the business license of this company was revoked on 30 March 2005. According to Mr. Bian, the said company was solvent and dormant at the time of it being revoked and the revocation of the said company has not resulted in any liability or obligation imposed against him.

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Mr. Bian Jianguang is the father of Mr. Bian and Ms. Bian Shu, and the father-in-law of Mr. Zhang Yuanyuan. Mr. Bian Jianguang is a member of the Bian Family and the Bian Family is a Controlling Shareholder of our Company. For further details, please refer to the section headed “Relationship with Controlling Shareholders — Overview” in this prospectus.

Mr. ZHANG Yuanyuan (章袁遠), aged 34, is the non-executive Director of our Company. He was appointed as the Director of our Company since 28 December 2009. Mr. Zhang has approximately 5 years of experience in the business of the provision of atmospheric pollution control solutions.

From May 2007 to January 2009, Mr. Zhang worked as the general manager of Chenyu Lvye which was principally engaged in the non ferrous metals processing, production, marketing and trading of machineries and components, metal products and components, metal doors and windows and electrical products, and he was responsible for its overall operation and management. He has been working as the director of Tianjie New Energy (being principally engaged in wind power generation and solar power generation) since May 2008 and was responsible for giving advice on operation strategy, attending board meeting and evaluation of business operation and development strategy. He has been working as the president of TGL since January 2009 and is responsible for the overall management and business operation of TGL. He is currently the vice chairman of Shanghai Aluminum Trade Association (上海鋁業行業協會).

Mr. Zhang holds a bachelor’s degree of applied physics from the Tongji University (同濟大學) in July 2003. He holds a master degree of engineering management from the University of Technology, Sydney (悉尼科技大學) in Australia in July 2007. He is the spouse of Ms. Bian Shu, the brother-in-law of Mr. Bian and the son-in-law of Mr. Bian Jianguang. Mr. Bian, Ms. Bian Shu and Mr. Bian Jianguang are members of the Bian Family and the Bian Family is a Controlling Shareholder of our Company. For further details, please refer to the section headed “Relationship with Controlling Shareholders — Overview” in this prospectus.

Independent non-executive Directors

Ms. TAM Hon Shan Celia (譚漢珊), aged 43, is an independent non-executive Director of our Company. Ms. Tam joined our Group on 15 September 2014 when she was appointed as an independent non-executive Director. Ms. Tam has approximately 20 years of experience in the accounting and finance field.

Ms. Tam joined 91 Wireless Websoft Limited, a wholly-owned subsidiary of Baidu Inc. (which is a company listed on NASDAQ (NASDAQ: BIDU) and principally engaged in high technology online services development and expansion), as the vice president, chief financial officer and company secretary and was responsible for management of the finance department, legal department, government relations department, human resources department and administration department from January 2011 to February 2015. From April 2007 to September 2013, she was the head of compliance and corporate affairs of NetDragon Websoft (Hong Kong) Limited and the company secretary and authorized representatives of NetDragon Websoft Inc., a company listed on the Main Board of the Stock Exchange (stock code: 777) and principally engaged in online games development and operations which was transferred from the Growth Enterprise Market operated by the Stock Exchange (stock code: 8288) on 23 June 2008, responsible for mergers and acquisitions and corporate finance

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

projects. From August 2004 to March 2007, she worked as the finance manager of Heal Force Development Limited (being principally engaged in the distribution of medical and biochemical instrument) and subsequently became the group finance manager of Heal Force Development Limited in which she was responsible for the management of the group finance department. From November 2000 to October 2003, she worked as a financial accountant and subsequently as the finance and administration manager of Infoserve Technology Hong Kong Ltd which was principally engaged in electronic technology development, and she was responsible for the management of finance, administration and human resources matter. She worked as the senior accountant of World Pioneer Ltd. (being principally engaged in medicine research, development and production) from June 1999 to November 2000 in which she was responsible for its financial and administrative functions. She worked as an accountant of Baker Norton Asia Ltd. (being principally engaged in medicine development and production) from October 1997 to May 1999 in which she was responsible for financial matters. She worked as an accountant of Draft Worldwide Ltd principally engaged in advertisement) from August 1994 to October 1997 in which she was responsible for managing financial matters. Ms. Tam has been a member of the Association of Chartered Certified Accountants (“ACCA”) since May 2000. She is also a member of the Hong Kong Institute Certified Public Accountants (“HKICPA”) since April 2002.

Ms. Tam graduated from University of Lincolnshire and Humberside with a bachelor’s degree in business accounting in April 2000.

Mr. DANG Xiaoqing (黨小慶), aged 51, is an independent non-executive Director of our Company. Mr. Dang joined our Group on 15 September 2014 when he was appointed as an independent non-executive Director. He has approximately 15 years experience in the field of environmental protection and energy saving. He has been working in the school of environmental and municipal engineering (環境與市政工程學院) of Xi’an University of Architecture and Technology (西安建築科技大學) since January 2001 and subsequently as the professor since November 2011 and also as doctoral supervisor since June 2014 in which he was responsible for teaching and supervising doctoral students. Since May 2006, Mr. Dang has served as the head of industrial gas cleaning engineering technology research institute* (工業煙氣淨化工程技術研究所) of Xi’an University of Architecture and Technology (西安建築科技大學) in which he is responsible for overall management of the institute.

Mr. Dang worked at the energy saving and environmental protection equipment research institute of the Chinese heavy machinery research institute* (中國重型機械研究院股份公司環保與節能設備研究所) from July 1985 to December 2000. Mr. Dang is the standing committee member (常委) of the sixth Electrostatic Precipitator Committee of The Environmental Protection Industry* (中國環境保護產業協會電除塵委員會第六屆電除塵委員會) since February 2014 and the standing committee member (常委) of the fifth Bag-Type Dust Remover Committee of The China Association of Environmental Protection Industry* (中國環境保護產業協會第五屆袋式除塵委員會) since May 2013.

Mr. Dang obtained a bachelor’s degree in environmental engineering from Xi’an Institute of Metallurgical Construction (西安冶金建築學院) (later renamed as Xi’an University of Architecture and Technology (西安建築科技大學)) in July 1985, a master degree in environmental engineering from Xi’an University of Architecture and Technology (西安建築科技大學) in July 1994 and a doctorate degree in environmental engineering from Xi’an University of Architecture and Technology

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(西安建築科技大學) in January 2009. He was accredited as a senior engineer by the State Bureau of Machine-Building Industry Professional Titles Reform Work Leading, Group Office* (國家機械工業局職稱改革領導小組辦公室) in December 1998. He also obtained a qualification certificate for registered environmental protection engineer (註冊環保工程師) of the PRC issued by the Ministry of Personnel (中華人民共和國人事部), the Ministry of Construction (中華人民共和國建設部) and the State Environment Protection Administration (國家環境保護總局) of the PRC in January 2009.

Mr. Dang obtained the Technology Progress Award (First Class)* (科技進步一等獎) from the Ministry of Machinery Industry* (中華人民共和國機械工業部) in December 1993, the Environmental Protection Scientific and Technological Award (Third Class)* (環境保護科學技術三等獎) from State Environment Protection Administration (國家環境保護總局) in December 2007 and the Xi'an Municipal Scientific and Technological Award (Second Class)* (西安市科學技術二等獎) from the Xi'an Municipal People's Government (西安市人民政府) in March 2010.

Mr. ZHANG Bing (張炳), aged 33, is an independent non-executive Director of our Company. Mr. Zhang joined our Group on 15 September 2014 when he was appointed as an independent non-executive Director. Mr. Zhang has approximately 6 years of experience in the field of environmental planning.

Mr. Zhang worked as a lecturer in the school of the environment, Nanjing University (南京大學環境學院) in December 2008 in which he was responsible for teaching and conducting research. He was promoted to an associate professor and worked there from December 2010 to December 2013 in which he was responsible for teaching, conducting research and personnel training, and he later became a professor and has been working since December 2013 in which he was responsible for teaching, conducting research and supervising doctoral students. Mr. Zhang has been the director of the Center for Environmental Management and Policy of Jiangsu Environmental Protection Department of Nanjing University (南京大學—江蘇省環保廳環境管理與政策研究中心) since November 2013 in which he is responsible for conducting research on environmental management and policy and carrying out construction management work.

Mr. Zhang was a committee member and the deputy secretary of the second committee of the Society for Environmental Economics of the Chinese Society for Environmental Sciences (中國環境科學學會環境經濟學分會) from October 2008 to September 2012 and the director of Chinese Society of Optimisation, Overall Planning and Economical Mathematics, Energy Economics and Management* (中國優選法統籌法與經濟數學研究會能源經濟與管理研究分會) since November 2012.

Mr. Zhang obtained the Scientific and Technological Progress Award (Second Class)* (科學技術進步二等獎) from the Ministry of Education of the People's Republic of China (中華人民共和國教育部) in January 2010, the Eighth Young Scientist Award of the Chinese Society for Environmental Sciences* (第八屆中國環境科學學會青年科技獎) in December 2012 from the Society of Environmental Science of the PRC (中國環境科學學會) and the Environmental Protection and Scientific Award (First Class)* (環境保護科學技術進步獎一等獎) from the Ministry of Environmental Protection of the People's Republic of China (中華人民共和國環境保護部) in December 2012.

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Mr. Zhang obtained a bachelor's degree in environmental planning from Nanjing University (南京大學) in June 2003 and a doctorate degree in environmental planning and management from Nanjing University (南京大學) in December 2008.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules including matters relating to directorship held by Directors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three members, comprising two representatives of Shareholders and one representative of employee. Employee representative supervisors are elected democratically by the employees representative congress, while shareholder representative supervisors are elected by the Shareholders. The term of office of each supervisor is three years, which is renewable upon re-election and re-appointment. The powers and duties of the Supervisory Committee include reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine our Company's financial information; monitoring the financial activities of our Company, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to our Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a service contract with our Group.

SUPERVISORS

Ms. BIAN Shu (邊姝), aged 34, is the chairman of the Supervisory Committee and deputy manager of the administration department of our Company. She joined our Group on 28 December 2009 and was appointed as chairman of the Supervisory Committee since 28 December 2009, employee representative supervisor since 10 May 2014 and deputy manager of the administration department of our Company since September 2014. Previously, Ms. Bian worked as the manager of the personnel department of TGL from February 2006 to January 2010 and was responsible for the human resources management and administration work of TGL. She worked as the chief financial officer of TGL between February 2010 to December 2011 and was responsible for accounting matters and financial planning and management. Ms. Bian served as the vice president of TGL from December 2011 to August 2014, and was responsible for day to day operations and management and to deputize the president when necessary.

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Ms. Bian holds a bachelor's degree of philosophy from the Zhejiang University (浙江大學) in June 2003. She holds a master degree of international business from the University of Sydney (悉尼大學) in Australia in October 2006. She is the spouse of Mr. Zhang Yuanyuan, the sister of Mr. Bian and the daughter of Mr. Bian Jianguang.

Ms. Bian Shu is a member of the Bian Family and the Bian Family is a Controlling Shareholder of our Company. For further details, please refer to the section headed "Relationship with Controlling Shareholders — Overview" in this prospectus.

Mr. FU Jun (傅均), aged 35, is the Supervisor of our Company, and he joined our Group on 18 October 2014. Prior to joining our Group, Mr. Fu joined the school of computer science and information technology of Zhejiang Gongshang University (浙江工商大學) in December 2009 and was appointed as a lecturer in April 2010. He was promoted as an assistant professor in November 2013 in which he is responsible for teaching and conducting research. Since June 2014, he has been working as a supervisor to master students in which he is responsible for supervising master students.

Mr. Fu obtained a bachelor's degree of bio-medical engineering from Zhejiang University (浙江大學) in June 2004 and a doctorate degree in bio-medical engineering from Zhejiang University (浙江大學) in December 2009. He also completed two years minor studies in Japanese language in Zhejiang University (浙江大學) in June 2003.

Mr. FANG Zhiguo (方治國), aged 38, is the Supervisor of our Company, and he joined our Group on 18 October 2014. Prior to joining our Group, he worked as a post-doctoral researcher in environmental science and engineering at the Research Centre for Eco-Environment Sciences of the Chinese Academy of Sciences (中國科學院生態環境研究中心) from August 2005 to August 2008, in which he was responsible for conducting research. He joined the school of environmental science and engineering of Zhejiang Gongshang University (浙江工商大學) in August 2008 and became an assistant professor since October 2009, in which he is responsible for teaching and conducting research.

Mr. Fang obtained a master degree of science majoring in ecology from Zhejiang University (浙江大學) in June 2002 and a doctorate degree in science majoring in ecology from the Graduate School of the Chinese Academy of Science (中國科學院研究生院) (later renamed as the University of Chinese Academy of Sciences (中國科學院大學)) in July 2005. He was a visiting scholar at the University of Oklahoma in the United States from June 2006 to May 2008.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters relating to the appointment of Supervisors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules including matters relating to directorship held by Supervisors in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

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SENIOR MANAGEMENT

Mr. QIU Jinxin (邱金鑫), aged 53, is the general manager of our Company. He joined our Group on 17 September 2012 and was appointed as the general manager of our Company on 10 May 2014. Mr. Qiu has approximately 20 years of experience in the business of provision of atmospheric pollution control solutions.

Mr. Qiu worked as a technician and deputy director of Zhuji City Fertiliser Factory* (諸暨市化肥廠) (being principally engaged in the production and marketing of fertiliser) from August 1983 to July 1993 in which he was responsible for quality control and equipment management. From July 1993 to January 2006, he worked in TGL with last position as chief engineer in TGL, and he was responsible for the research and development of environmental protection precipitator. He worked as the general manager in Zhejiang Jieda Environmental Protection Engineering Company Ltd* (浙江潔達環保集團有限公司) (being principally engaged in the design, production and installation of environmental protection projects) from February 2006 to December 2008 in which he was responsible for its overall management and operation. From January 2009 to August 2012, he worked as the vice general manager in Zhejiang Oriental Environmental Protection Equipment Co., Ltd* (浙江東方環保設備有限公司) which was principally engaged in the technology development and marketing of environmental protection equipments, and he was responsible for the overall management and operation.

Mr. Qiu is the vice president of the fifth Council of the Environmental Protection Industry Association of Zhejiang Province * (浙江省環保產業協會第五屆理事會) since April 2013 and the deputy secretariat* (副秘書長) of third Council of Environmental Protection Industry Association of Zhuji City* (諸暨市環境保護產業協會第三屆理事會) since December 2012. He is also the standing council member (常務理事) of the ninth Council of Environmental Science Association of Zhejiang Province* (浙江省環境科學學會第九屆理事會) since 17 April 2015. In December 2005, Mr. Qiu was accredited as senior engineer by Assessment Committee for Qualification of Senior Position for Mechanical Engineering Technician of Zhejiang Province* (浙江省機械工程技術人員高級職務任職資格評審委員會).

Mr. WANG Weizhong (王偉忠), aged 44, is the Board secretary of our Company since 15 September 2014 and he joined our Group on 1 April 2014. Mr. Wang has approximately 6 years of experience in administration and personnel management.

Mr. Wang worked as a trainee teacher and a teacher at Zhenjiang Dongyang Second Senior High School* (浙江省東陽市第二高級中學) from August 1991 to July 1992 and from August 1992 to May 2002 respectively.

Mr. Wang worked at Zhejiang Ruans Pearl limited* (浙江阮仕珍珠股份有限公司) (being principally engaged in the pearl culture, processing and marketing as well as the design of pearl jewellery) as the assistant of the general manager from May 2002 to April 2008 and the deputy general manager and board secretary from April 2008 to June 2010 in which he was responsible for the research and development of pearl processing technology, and personnel management. From July 2010 to March 2014, he worked as the vice president of TGL and was responsible for the administration and management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang completed four years studies chemistry in the Zhejiang Normal University (浙江師範大學) in July 1991. He also completed a two year advanced seminar programme in business administration (高級研修班) in Zhejiang University (浙江大學) in September 2006.

Mr. Wang completed a training course in relation to the practice of board secretary by the Training Centre* (商務部培訓中心) in April 2005 and completed training for board secretary as accredited by Shenzhen Stock Exchange (深圳證券交易所) in July 2009.

Ms. WU Fengdi (吳鳳娣), aged 32, is the financial manager of our Company. She joined our Group on 28 December 2009 and was appointed as the finance manager of our Company. Ms. Wu has approximately 11 years of experience in accounting in the atmospheric pollution control solutions industry. Ms. Wu worked as the chief accountant of TGL from April 2003 to December 2009 and she was responsible for the financials and internal auditing of TGL.

Ms. Wu completed three years studies in accounting at Shaoxing University (紹興文理學院) in January 2008.

Mr. YU Yunjie (余運節), aged 42, is the deputy general manager of our Company and he joined our Group on 28 December 2009. He was appointed as the deputy general manager of our Company responsible for the operation of technology department on 3 May 2010 and the head of the technology department of our Company from 28 December 2009 to 2 May 2010. Mr. Yu has approximately 8 years of experience in the business of provision of atmospheric pollution control solutions.

Mr. Yu worked as the manager of the engineering department and the assistant of the general manager of TGL from January 2006 to December 2008 in which he was responsible for installation of environmental protection equipments, after-sale matters and liaison with buyers and the manager of the engineering department and deputy head of technology department of TGL from January to November 2009 in which he was responsible for installation of environmental protection equipments, after-sale matters and liaison with buyers and personnel management and technological matters respectively. Particularly, he focused on supporting the technology of the business of provision of atmospheric pollution control solutions carried on by TGL prior to establishment of our Company in December 2009.

Mr. Yu completed four years studies in the Hefei University of Technology (合肥工業大學) majoring in machinery manufacturing craft and equipment in July 1999. In December 2012, Mr. Yu was accredited as senior engineer by Assessment Committee for Qualification of Senior Position for Mechanical Engineering Technician of Zhejiang Province* (浙江省機械工程技術人員高級職務任職資格評審委員會).

Mr. CHEN Jianguo (陳建國), aged 55, is the deputy general manager of our Company. He joined our Group on 28 December 2009 and was appointed as the deputy general manager of our Company on 3 May 2010. Mr. Chen has approximately 22 years of experience in the business of provision of atmospheric pollution control solutions.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen worked as a technician in Zhuji City Industrial Environmental Protection Equipment Factory* (諸暨市工業環保設備總廠) (being principally engaged in production and marketing of industrial environmental protection equipment) from March 1991 to May 1995 in which he was responsible for the research and development of precipitators. From June 1995 to November 1998, Mr. Chen worked as the manager of engineering department and assistant officer of technology department of TGL and was responsible for supervising installation of environmental protection equipments, after-sale matters and liaison with buyers and organization of technology related matters respectively. From June 1995 to December 2009, he worked as the head of the department of engineering and installation of TGL and was responsible for the supervising installation of environmental protection equipment's, after-sale matters and liaison with buyers. He has been working as the general manager of Tianjie Installation Engineering since December 2009 and is responsible for day to day operation and management, and overall business management.

Mr. Chen graduated from Zhuji County Tongshan Community High School* (諸暨縣同山人民公社中心學校) in Zhejiang Province in July 1977.

JOINT COMPANY SECRETARIES

Mr. Lau Hon Kee (劉漢基) and **Ms. Shen Qiong (沈瓊)** are our joint company secretaries.

Mr. LAU Hon Kee (劉漢基), aged 44, one of the joint company secretaries of our Company since 1 November 2014 and he joined our Group on 1 November 2014 and is primarily responsible for the company secretarial matters of our Group. Mr. Lau has over 15 years' experience in the finance & accounting field.

Since March 2003, Mr. Lau has been the financial controller and company secretary of Shandong Luoxin Pharmaceutical Group Stock Co., Ltd.* (山東羅欣藥業集團股份有限公司), a company listed on the Stock Exchange (Stock Code: 8058) and principally engaged in manufacturing and distribution of pharmaceutical products. He is responsible for accounting, financial reporting and corporate governance of the company. He had served as an independent non-executive director of Strong Petrochemical Holdings Limited from November 2008 to December 2011, a company listed on the Stock Exchange (Stock Code: 852) and principally engaged in trading of oil products. He was responsible for corporate governance and worked as chairman of audit committee.

Mr. Lau is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 1999 and a certified public accountant of the Certified Practising Accountants Australia since March 1999. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants since December 2006.

Mr. Lau holds a bachelor's degree in commerce from the Australian National University in Australia in April 1994 and a master's degree in professional accounting from Hong Kong Polytechnic University in October 2009.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. SHEN Qiong (沈瓊), aged 31, one of the joint company secretaries of our Company since 1 November 2014 and is primarily responsible for the company secretarial and legal matters of our Group. She joined our Group in September 2014 as a legal officer. Ms. Shen has approximately 8 years of experience in legal matter in relation to business operations.

Ms. Shen worked as a legal officer in Zhejiang Group Net Industrial Co., Ltd* (浙江地淨實業有限公司) (being principally engaged in production and sales of environmental protection equipment and machineries) from August 2006 to December 2008 in which she was responsible for legal and compliance matters. From January 2009 to August 2014, she worked as a legal officer and the assistant to the manager in TGL in which she was responsible for legal and compliance matters.

Ms. Shen completed a long distance learning course majoring in law from Southwest University of Political Science & Law (西南政法大學) in July 2008. She also obtained a qualification certificate of assistant engineer in municipal engineering issued by Zhuji City Personnel Bureau* (諸暨市人事局) in April 2010.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 10 November 2014 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Ms. Tam Hon Shan Celia, Mr. Dang Xiaoqing and Mr. Zhang Bing. Ms. Tam Hon Shan Celia currently serves as the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 10 November 2014 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our senior management and to recommend members of the Board.

Our remuneration committee consists of three members, being Mr. Dang Xiaoqing, Mr. Zhang Bing and Mr. Zhang Yuanyuan. Mr. Dang Xiaoqing currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 10 November 2014 with its written terms of reference by reference with paragraph A.5 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our nomination committee consists of three members, being Mr. Bian, Ms. Tam Hon Shan Celia and Mr. Zhang Bing. Mr. Bian currently serves as the chairman of our nomination committee.

COMPENSATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by our Company to our Directors and Supervisors were approximately RMB0.1 million, RMB0.2 million, RMB0.5 million and RMB0.3 million, respectively. Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance. The remuneration and benefits in kind (if applicable) received by the top five highest paid individuals (including Directors and Supervisors) for the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, were approximately RMB0.7 million, RMB0.8 million, RMB0.9 million and RMB0.3 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company. None of our Directors or Supervisors had waived any remuneration during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

For the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by our Company to our senior management were approximately RMB0.8 million, RMB0.8 million, RMB1.2 million and RMB0.3 million, respectively. Our senior management remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

REMUNERATION POLICY

Our Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of our Company. Our Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Company or executing their functions in relation to the operations of our Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of our Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Our Company has appointed China Everbright Capital Limited as our compliance adviser pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, China Everbright Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. China Everbright Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines in Hong Kong.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

CORPORATE GOVERNANCE CODE

As at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors are not aware of any deviation from provisions in the corporate government code under Appendix 14 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, each of the following persons will, as at the date of this prospectus, have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Capacity/Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of interest in our Company
TGL	Beneficial owner of our Company	70,000,000 Domestic Shares (L)	70.00%
Mr. Bian	Beneficial owner of our Company	13,671,000 Domestic Shares (L)	13.67%
	Interest of controlled corporation ⁽²⁾	70,000,000 Domestic Shares (L)	70.00%
Ms. Bao Guo ⁽³⁾	Family interest of spouse	83,671,000 Domestic Shares (L)	83.67%
Mr. Bian Jianguang	Beneficial owner of our Company	6,843,000 Domestic Shares (L)	6.84%
	Interest in a controlled corporation ⁽²⁾	70,000,000 Domestic Shares (L)	70.00%
Ms. Xu You ⁽⁴⁾	Family interest of spouse	76,843,000 Domestic Shares (L)	76.84%
Ms. Bian Shu	Beneficial owner of our Company	3,933,000 Domestic Shares (L)	3.93%
	Interest in a controlled corporation ⁽²⁾	70,000,000 Domestic Shares (L)	70.00%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of interest in our Company
Mr. Zhang Yuanyuan ⁽⁵⁾	Family interest of spouse	73,933,000 Domestic Shares (L)	73.93%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) The disclosed interest represents the interest in our Company held by TGL which is in turn approximately 64.08% owned by Mr. Bian, approximately 22.81% owned by Mr. Bian Jianguang and approximately 13.11% owned by Ms. Bian Shu. Therefore, Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu are deemed to be interested in TGL’s interest in our Company by virtue of the SFO.
- (3) Ms. Bao Guo, the spouse of Mr. Bian, is deemed to be interested in Mr. Bian’s interest in our Company by virtue of the SFO.
- (4) Ms. Xu You, the spouse of Mr. Bian Jianguang, is deemed to be interested in Mr. Bian Jianguang’s interests in our Company by virtue of the SFO.
- (5) Mr. Zhang Yuanyuan, the spouse of Ms. Bian Shu, is deemed to be interested in Ms. Bian Shu’s interests in our Company by virtue of the SFO.

So far as the Directors are aware, each of the following persons will, immediately following completion of the Global Offering (without taking into account any H Shares that may be issued upon the exercise of the Over-allotment Option), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group:

Shareholder	Nature of interest	Number of Shares held after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering ⁽²⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽³⁾
TGL ⁽⁴⁾	Beneficial owner of our Company	70,000,000 Domestic Shares (L)	70.00%	51.85%

SUBSTANTIAL SHAREHOLDERS

Shareholder	Nature of interest	Number of Shares held after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering ⁽²⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽³⁾
Mr. Bian ⁽⁵⁾	Beneficial owner of our Company	13,671,000 Domestic Shares (L)	13.67%	10.13%
	Interest of controlled corporation ⁽⁶⁾	70,000,000 Domestic Shares (L)	70.00%	51.85%
Ms. Bao Guo ⁽⁷⁾	Family interest of spouse	83,671,000 Domestic Shares (L)	83.67%	61.98%
Mr. Bian Jianguang ⁽⁵⁾	Beneficial owner of our Company	6,843,000 Domestic Shares (L)	6.84%	5.07%
	Interest of controlled corporation ⁽⁶⁾	70,000,000 Domestic Shares (L)	70.00%	51.85%
Ms. Xu You ⁽⁸⁾	Family interest of spouse	76,843,000 Domestic Shares (L)	76.84%	56.92%
Ms. Bian Shu ⁽⁵⁾	Beneficial owner of our Company	3,933,000 Domestic Shares (L)	3.93%	2.91%
	Interest of controlled corporation ⁽⁶⁾	70,000,000 Domestic Shares (L)	70.00%	51.85%
Mr. Zhang Yuanyuan ⁽⁹⁾	Family interest of spouse	73,933,000 Domestic Shares	73.93%	54.77%

Notes:

(1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) The calculation is based on the percentage of shareholding in the Domestic Shares.

SUBSTANTIAL SHAREHOLDERS

- (3) The calculation is based on the total number of 135,000,000 Shares in issue after the Global Offering.
- (4) TGL is directly interested in approximately 51.85% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (5) Our Company will be held as to approximately 51.85% by TGL, approximately 10.13% by Mr. Bian, approximately 5.07% by Mr. Bian Jianguang, approximately 2.91% by Ms. Bian Shu, approximately 1.37% by Mr. He Jianmin, approximately 1.37% by Mr. Bian Weican and approximately 1.37% by Mr. Chen Jiancheng immediately following the completion of the Global Offering (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option). TGL is held as to approximately 64.08% by Mr. Bian, approximately 22.81% by Mr. Bian Jianguang and approximately 13.11% by Ms. Bian Shu.
- (6) The disclosed interest represents the interest in our Company held by TGL which is in turn approximately 64.08% owned by Mr. Bian, approximately 22.81% owned by Mr. Bian Jianguang and approximately 13.11% owned by Ms. Bian Shu. Therefore, Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu are deemed to be interested in TGL's interest in our Company by virtue of the SFO.
- (7) Ms. Bao Guo, the spouse of Mr. Bian, is deemed to be interested in Mr. Bian's interest in our Company by virtue of the SFO.
- (8) Ms. Xu You, the spouse of Mr. Bian Jianguang, is deemed to be interested in Mr. Bian Jianguang's interests in our Company by virtue of the SFO.
- (9) Mr. Zhang Yuanyuan, the spouse of Ms. Bian Shu, is deemed to be interested in Ms. Bian Shu's interests in our Company by virtue of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group.

SHARE CAPITAL

As at the date of this prospectus, the registered share capital of our Company is RMB100,000,000, divided into 100,000,000 Domestic Shares with a nominal value of RMB1.0 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be increased to RMB135,000,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital (%)
100,000,000	Domestic Shares ⁽¹⁾	74.07
<u>35,000,000</u>	H Shares to be issued under the Global Offering	<u>25.93</u>
<u>135,000,000</u>		<u>100.00</u>

Note:

- (1) These Domestic Shares are held by Mr. Bian, Mr. Bian Jianguang, Mr. He Jianmin, Mr. Bian Weican, Ms. Bian Shu and Mr. Chen Jiancheng and TGL.

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be increased to RMB140,250,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital (%)
100,000,000	Domestic Shares ⁽¹⁾	71.30
<u>40,250,000</u>	H Shares to be issued under the Global Offering	<u>28.70</u>
<u>140,250,000</u>		<u>100.00</u>

Note:

- (1) These Domestic Shares are held by Mr. Bian, Mr. Bian Jianguang, Mr. He Jianmin, Mr. Bian Weican, Ms. Bian Shu and Mr. Chen Jiancheng and TGL.

PUBLIC FLOAT REQUIREMENTS

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

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Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

The above tables assume the Global Offering becomes unconditional and is completed.

OUR SHARES

Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

Our Promoters hold all existing Domestic Shares as promoter shares (as defined in the PRC Company Law). Under the PRC Company Law, promoter shares may not be sold within a period of one year from 28 December 2009, on which we were organised as a joint stock limited company. This lock-up period was expired on 27 December 2010. The PRC Company Law further provides that in relation to the public global offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange.

RANKING

Except as described in this prospectus and in relation to the despatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarised in Appendix VI to this prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

Increase in Share Capital

As advised by the PRC Legal Advisers pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations and approval of relevant PRC regulatory authorities, including the CSRC, our Company, upon Listing of its H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of Shareholders whose interest is affected at a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of

SHARE CAPITAL

Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the Shareholders' general meeting must be exercised in favour of the resolution. Resolutions of a class of Shareholders shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the class Shareholders' meeting.

Securities Law requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organisation; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; (iv) fulfil any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council. The public offer requires the approval of CSRC.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Unlisted Shares

We have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global offering, all unlisted Shares are Domestic Shares held by TGL, Mr. Bian, Mr. Bian Jianguang, Mr. He Jianmin, Mr. Bian Weican, Ms. Bian Shu and Mr. Chen Jiancheng and therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws. Given the above, our PRC Legal Advisers, has advised us that the use of the term "unlisted Shares" in the Articles of Association does not contravene and are not inconsistent with any PRC laws and regulations (including the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by the Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》).

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our unlisted Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice

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to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued by a company prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange 《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》 issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon listing.

GENERAL MANDATE TO ISSUE SHARES

Subject to the completion of the Global Offering, our Board has been granted a general mandate to allot and issue Domestic Shares and/or H Shares at any time, either separately or concurrently, within a period of up to the date of the conclusion of the next annual general meeting of Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our

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Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association and to file such amendments to the relevant administration bureau for industry and commerce for registration, provided that, the number of Domestic Shares and/or H Shares to be issued shall not exceed 20% of the number of our Domestic Shares in issue or H Shares in issue (as the case may be) as at the Listing Date.

Furthermore, we need to obtain approvals from the CSRC and other relevant PRC authorities for the actual issuance of H Shares and Domestic Shares.

For more details of this general mandate, please see “Appendix VII — Statutory and General Information — A. Further Information About Our Company — 3. Resolutions passed at our Company’s Extraordinary General Meeting on 10 October 2014.”

CONVENING OF GENERAL AND CLASS MEETINGS

See “Appendix VI — Summary of Articles of Association” in this prospectus for details of the circumstances under which general meetings and class meetings of our Company are required.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I — Accountants’ Report” and other financial data and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis and other parts of this prospectus contain certain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and “Business” and elsewhere in this prospectus.

Unless otherwise indicated, all financial data, whether presented on the primary reporting basis or by segment, is presented after elimination of inter-segment and other intra-company transactions between the group companies.

OVERVIEW

Leveraging around 18 years of industry experience and continual innovation in industrial technologies, we are a well-established integrated atmospheric pollution control solution provider, with a primary focus on particulate emission control by offering mega-sized electrostatic precipitators to customers in various industries in the PRC. Electrostatic precipitators, which are widely installed at coal-fired power plants, steel mills and cement production plants, are highly efficient air-cleaning devices designed to trap and remove particulate matters, including PM2.5, from the exhaust gas stream of an industrial process.

According to the Yubo Report, we were the third largest manufacturer of precipitators in the PRC in 2014 in terms of total sales amount and the fourth largest exporter of precipitators in the PRC in 2014 in terms of total export sales amount.

We offer tailor-made atmospheric pollution control solutions to our customers on a project basis, which generally comprising engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance, to our customers on a project basis. Our product specifications and scope of services are customised and made-to-order in accordance with the specific technical requirements of our customers. Depending on the specifications and technical requirements of our customers, we may provide an integrated set of atmospheric pollution control devices, comprising precipitators, desulfurisation system and/or denitrification system.

During the Track Record Period, we have completed 167 new installation projects and 64 upgrading or modification projects. We believe that we have benefited, and will continue to benefit, from the synergies created through our customers’ satisfaction and broader market recognition of our brand, which have helped increase our opportunities and ability of securing project bids. Additionally, with our industry qualifications and track record of successful completion of projects for the power

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generation enterprises, we believe we have reinforced our reputation among national power enterprises as well as customers in other industries as a reliable atmospheric pollution control solution provider, which enable us to draw on their support for new or upgrade projects. In addition, our extensive project experience provides us with a competitive edge in securing new projects, particularly those projects required to be awarded through tendering. Project owners, particularly the power generation enterprises, generally adopt the most economically advantageous tender approach which takes both technical merit and price into consideration in tender assessment, instead of adopting the lowest price approach. Therefore, leveraging our industry experience, we believe we have advantages over new entrants in project bidding.

For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our total revenue from continuing operations was approximately RMB553.5 million, RMB594.1 million, RMB781.9 million and RMB156.6 million, respectively. Our profit from continuing operations for the same periods was approximately RMB20.9 million, RMB25.8 million, RMB74.2 million and RMB15.1 million, respectively. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the value of our new contracts (which represents the aggregate value of the contracts we entered into during a specified period) was approximately RMB479.2 million, RMB1,246.2 million, RMB1,167.9 million and RMB177.4 million, respectively. As at 31 March 2015, our backlog (including applicable VAT) (which represents the total estimated contract value of work that remains to be completed pursuant to outstanding contracts as of a certain date, and assuming performance in accordance with the terms of the contract) was approximately RMB1,669.4 million.

BASIS OF PREPARATION

Our Company was established in the PRC as a joint stock limited company on 28 December 2009. After the transfer of the business of the provision of atmospheric pollution control solutions by TGL to our Company in 2010, our Company mainly engages in the business of the provision of atmospheric pollution control solutions. Our Company currently has three wholly owned subsidiaries. For details of our corporate structure, please refer to the section headed “History and Corporate Structure” in this prospectus.

The Financial Information set out in the financial statements was prepared in accordance with HKFRSs which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong. Unless otherwise stated, in this prospectus, the financial statements refer to our audited consolidated financial statements for years ended as at 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015.

Critical accounting policies adopted in preparation of the financial information presented in this prospectus have been applied consistently for each of the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015. The policies of preparation are in compliance with accounting policies and requirements under HKFRSs, and present a true and complete view of our financial condition as of the relevant time during the Track Record Period and our results of operations and cash flows during the relevant periods. A summary of our critical accounting policies is set out in Note 2.3 and 3 to Appendix I — Accountants’ Report to this prospectus.

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FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those discussed below:

Developments in the PRC economy and the PRC energy sector

In the environmental protection and energy conservation sector, the growth trend in demand for the products and services we provide is attributable to a combination of factors, including economic growth within the PRC, and changes in the environmental protection and energy conservation-related growth in power consumption and the awareness of and introduction of policies in the PRC. The PRC is currently the world's second largest economy, with one of the highest economic growth rates. This has in turn fuelled a continuous increase in demand for energy and power in the PRC, at growth rates which in some instances have exceeded growth in the GDP of the PRC at the relevant time. China's per capita electricity generation volume, however, still remains considerably lower than that of many developed countries, suggesting that the PRC's demand for power will continue to increase, which would in turn lead to increases in installed capacity for power generation. A substantial proportion of the aggregate installed capacity within the PRC is coal-fired and according to the Yubo Report, coal-fired power generation will continue to play a significant role in the PRC energy section in the near future. Given the relatively low generation cost of coal-fired power and the tremendous demand for energy in the PRC, we expect the demand for our products and services will continue to increase as a result of these demand trends, as well as the current initiatives promulgated by the PRC government with respect to environmental protection. In particular, the PRC government listed environmental protection and energy conservation industry as a strategic industry and a pillar of the national economy. The investment on environmental protection increased more than double to RMB3.1 trillion in the 12th five-year plan from RMB1.5 trillion in the 11th five-year plan.

Demand for our products and services offered by our Group is dependent on developments in the PRC energy sector and the PRC economy, and positive or negative developments in these areas would impact our financial position and result of operations.

Regulatory environment and the Chinese Government support

Initiatives by PRC government through regulatory reform and policy implementation, as well as provision of financial and other government subsidies has stimulated demand for our products and services. The PRC government has provided support in the form of policy initiatives and financial incentives and subsidies to both power producers and service providers of certain services in the environmental protection and energy conservation sectors, which comprise the main sectors in which our customers operate. In September 2013, the PRC government increased subsidies to promote conformation to stringent emission standards in China by granting rebates to reward de-dusting, desulfurisation and denitrification efforts of enterprises. In February 2014, the PRC government further announced that a special air pollution fund of RMB10 billion would be set aside to reward enterprises which clean up their emission as an incentive to encourage the upgrading and replacement of old precipitators and installation of new precipitators.

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Continued government focus and support for the environmental protection and energy conservation industries is key to the demand for our products and services, and hence, our financial condition and results of operations. There is no assurance that the PRC government will continue to provide current levels of regulatory and financial support to enterprises who clean up their emission, or that such levels will not be decreased. If this occurs, growth and demand for our products may be affected and consequently, our financial condition and results of operations.

The progress of our project

Our primary business is the provision of atmospheric pollution control solution to our customers, with a primary focus on the construction of precipitators. Revenue generated from our construction contracts is recognised under the percentage of completion method. Revenue and costs from the construction contract are only recognised when the construction services commence. Therefore, our revenue depends on the number of projects we are constructing and the construction status of our existing projects.

As our construction projects generally takes a significant amount of time, there is typically delays between the time the construction project commences and the time when revenue for the project is completely recognised. Therefore, our revenue is significantly affected by the progress of construction projects. In the event there are few projects carried out or construction progress is slow over a given period, the revenue from construction contracts may be relatively lower. On the other hand, if the number of projects or amount of work completed is higher over a given period, the revenue from construction contracts over such period will significantly increase. Therefore, our revenue may vary significantly from quarter to quarter and from year to year.

Cost of raw materials

Our cost of sales primarily consists of cost of raw materials, which include steel. For the three years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015, the cost of our raw materials represented 81.3%, 79.7%, 69.6% and 74.1% of our cost of sales. In addition, the prices of our raw materials, particularly steel, are subject to volatility caused by external conditions, such as iron ore prices fluctuations, market supply and demand and changes in government policies. Since there are no price adjustment clause in the contracts we entered into with our customers which allow us to transfer the fluctuation on material costs to our customers, therefore, the fluctuation of material costs will have an impact on our profitability. During the Track Record Period, the cost of steel used represents 55.9%, 55.0%, 48.0% and 48.5% of our cost of sales.

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The following sensitivity analysis illustrates the impact of hypothetical changes in the cost of steel on our gross profit for the respective years/periods during the Track Record Period.

For the year ended 31 December 2012

% Change in price of steel	15%	10%	5%	(5%)	(10%)	(15%)
Change in gross profit for the year (RMB'000)	(40,996)	(27,330)	(13,665)	13,665	27,330	40,996
% Change in gross profit for the year . .	(63%)	(42%)	(21%)	21%	42%	63%

For the year ended 31 December 2013

% Change in price of steel	15%	10%	5%	(5%)	(10%)	(15%)
Change in gross profit for the year (RMB'000)	(42,461)	(28,307)	(14,154)	14,154	28,307	42,461
% change in gross profit for this year . .	(53%)	(36%)	(18%)	18%	36%	53%

For the year ended 31 December 2014

% Change in price of steel	15%	10%	5%	(5%)	(10%)	(15%)
Change in gross profit for the year (RMB'000)	(46,036)	(30,691)	(15,345)	15,345	30,691	46,036
% change in gross profit for this year . .	(32%)	(21%)	(11%)	11%	21%	32%

For the period ended 31 March 2015

% Change in price of steel	15%	10%	5%	(5%)	(10%)	(15%)
Change in gross profit for the year (RMB'000)	(9,216)	(6,144)	(3,072)	3,072	6,144	9,216
% change in gross profit for this year . .	(31%)	(21%)	(10%)	10%	21%	31%

Note:

The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the costs of steel.

Pricing of our atmospheric pollution control services and products

Our financial condition and results of operations are affected by the demand for and prices of our services and products. Selection of atmospheric pollution control product's supplier in construction or improvement project is generally carried out using a competitive tender process, pursuant to which we must calculate our expected costs and submit a bid to project owners. Contrary to those projects we undertook through tender process, the pricing of other projects can be determined by negotiation. During the Track Record Period, most of the domestic projects that we undertook were obtained through tender process; whereas most of our overseas projects were obtained through direct negotiations.

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Project owners, generally adopt the most economically advantageous tender approach which takes both technical merit and price into consideration in tender assessment, instead of adopting the lowest price approach. We have to strike a balance between competitive pricing and maintaining adequate profit margin. Pricing is important for projects, whether obtained through tendering or direct negotiations, as the project price is fixed or contracts entered into with customers with no price adjustment clause. As a result, we have to bear for any possible cost increment due to inflations. Any downward adjustment in budgetary resources allocated or failure to increase them sufficiently to offset rising raw material or labour costs could reduce our margins and have a material and adverse effect on our financial condition and results of operations.

Competition

The atmospheric pollution control equipment industry is highly competitive. As significant portion of our revenue during the Track Record Period was derived from our provision of atmospheric pollution control solutions by offering precipitators in the PRC, we face intense competition in the precipitator industry in the PRC. According to the Yubo Report, there are over 200 enterprises that are engaged in the design, manufacture, research and installation of electrostatic precipitators in the PRC. The increasing labour and raw materials cost, demand for our services and products and environmental compliance regulations may have significant impact on our industry. The enhancement competition and our competitiveness will be a key factor to our future market share expansion and improvement in our results of operations.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified below the accounting policies that we believe are the most critical to our consolidated financial statements. Note 2.3 and 3 to the Accountants' Report included in Appendix I to this document set out in detail our significant accounting policies and accounting judgments and estimates concerning the future. These accounting policies require our Directors to make judgments, estimates and assumptions, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We continue to evaluate our estimates and associated assumptions and base them on our historical experience and various other factors, including expectation of future events, that we believe are reasonable under the circumstances. The results of which form the bases for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results typically differ from these estimates. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to useful life of property, plant and equipment and fair value of financial instruments. No material deviation of our estimates as compared to our actual results were noted in the past, no material changes were made to our estimates in the past and no material changes will likely be made to our estimates in the future.

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Revenue recognition

Our Group's revenue is principally derived from the design, development, manufacturing, installment, and sales of environmental pollution prevention equipment. Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- **Construction Contracts:** Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of outsourcing, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

- **Sale of goods:** Revenue from sales of goods are recognised when all significant risks and rewards of ownership of the goods have been transferred to the client, provided that our Group does not maintain any managerial involvement to the degree usually associated with ownership or effective control over the product sold.
- **Rendering of Services:** Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overhead.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

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Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Plant and machinery	9.50%
Office equipment	19.00% - 31.67%
Motor vehicles	23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property is interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

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When the properties first became investment property after a change in use, the fair value of the investment property is not reliably measurable on a continuing basis as there are few recent transactions and market for comparable properties is inactive, and alternative reliable measurements of fair are not available, either. Our Group determines that the fair value of the investment property is not reliably measurable on a continuing basis and the investment property is measured using the cost model.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Land use right	2.74%

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Impairment of financial assets

Our Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, our Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If our Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, we includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to our Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

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Our Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, our Group is unable to trade these financial assets due to inactive markets, our Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of our Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth the consolidated statement of profit or loss and other comprehensive income for the respective years/periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
CONTINUING OPERATIONS					
Revenue	553,543	594,058	781,905	137,471	156,645
Cost of sales	<u>(488,916)</u>	<u>(514,476)</u>	<u>(638,746)</u>	<u>(117,969)</u>	<u>(126,769)</u>
Gross profit	64,627	79,582	143,159	19,502	29,876
Other income and gains	4,628	1,868	3,022	362	380
Selling and distribution expenses	(12,547)	(15,381)	(16,176)	(3,737)	(3,591)
Administrative expenses	(16,041)	(20,125)	(17,621)	(3,672)	(3,204)
Other expenses	(2,769)	(1,078)	(2,235)	(239)	(239)
Finance costs	<u>(10,577)</u>	<u>(9,840)</u>	<u>(9,981)</u>	<u>(2,171)</u>	<u>(2,767)</u>
PROFIT BEFORE TAX FROM					
CONTINUING OPERATIONS	27,321	35,026	100,168	10,045	20,455
Income tax	<u>(6,426)</u>	<u>(9,193)</u>	<u>(25,979)</u>	<u>(4,311)</u>	<u>(5,315)</u>
PROFIT FOR THE YEAR/PERIOD					
FROM CONTINUING					
OPERATIONS	20,895	25,833	74,189	5,734	15,140
DISCONTINUED OPERATION					
Profit for the year/period from a discontinued operation	<u>5,606</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
PROFIT AND TOTAL					
COMPREHENSIVE INCOME					
FOR THE YEAR/PERIOD	<u>26,501</u>	<u>25,833</u>	<u>74,189</u>	<u>5,734</u>	<u>15,140</u>

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DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

Revenue

During the Track Record Period, we generate our revenue primarily from (i) construction projects; (ii) sales of goods; and (iii) rendering of services. Our construction projects represented our tailor-made and integrated atmospheric pollution control solutions offered to our customers, comprising engineering design, equipment procurement and manufacturing, supervision of installation and commissioning, customer training, and repair and maintenance to our customers on a project basis. The specifications and scope of services are customized and made-to-order on a project basis.

Our sales of goods represented sales of materials, including raw materials, spare parts and components and scrape sales to related parties or Independent Third Parties. The sales of raw materials to related parties, which mainly include steel, were at cost. For details, please refer to section headed “Financial Information — Related Parties Transactions” in this prospectus. Our rendering of services represented our technology consultancy services to our customers on stand-alone basis, which includes repair and replacement, and on-site engineering and maintenance services to those projects which were not constructed by us.

The following table sets forth a breakdown of our revenue by segment and each item as a percentage of revenue for the respective years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Revenue										
Construction										
projects . . .	539,425	97.4	575,393	96.9	776,596	99.3	136,780	99.5	155,914	99.5
Sales of goods	13,150	2.4	18,665	3.1	5,013	0.6	691	0.5	731	0.5
Rendering of										
services . . .	968	0.2	—	—	296	0.1	—	—	—	—
Total	<u>553,543</u>	<u>100.0</u>	<u>594,058</u>	<u>100.0</u>	<u>781,905</u>	<u>100.0</u>	<u>137,471</u>	<u>100.0</u>	<u>156,645</u>	<u>100.0</u>

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Revenue generated from our construction projects amounted to over 95% of our total revenue throughout the Track Record Period. Depending on the specifications and requirements of our customers, we may provide an integrated set of atmospheric pollution control devices, comprising precipitators, desulfurisation system and/or denitrification system, or only provide one type of the above atmospheric pollution control devices on stand-alone basis for new installation projects or upgrading or modification projects. Among the construction projects, the majorities are related to the manufacturing, installation and sales of electrostatic precipitators. The following table sets forth a further revenue breakdown of construction contracts by types of atmospheric pollution control solutions for the respective years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	%
<i>(Unaudited)</i>										
Construction projects										
Ash removal and transfers										
- Electrostatic precipitator . . .	455,564	84.4	472,973	82.2	582,977	75.0	87,405	63.8	131,578	84.4
- Electrostatic-bag composite precipitator	45,104	8.4	53,873	9.4	49,557	6.4	14,334	10.5	1,126	0.7
- Bag filter precipitator.	24,303	4.5	40,757	7.1	43,146	5.6	21,454	15.7	18,239	11.7
- Others (e.g. Pneumatic ash conveying system)	13,510	2.5	7,026	1.2	16,463	2.1	3,652	2.7	591	0.4
SO ₂ and NO _x emission reduction (desulfurisation and denitrification devices)	944	0.2	764	0.1	84,453	10.9	9,935	7.3	4,380	2.8
	<u>539,425</u>	<u>100.0</u>	<u>575,393</u>	<u>100.0</u>	<u>776,596</u>	<u>100.0</u>	<u>136,780</u>	<u>100.0</u>	<u>155,914</u>	<u>100.0</u>

As shown in the table above, our main focus throughout the Track Record Period has been electrostatic precipitators. According to the Yubo Report, as Ministry of Environmental Protection and General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) issued the revised Emission Standard of Air Pollutants for Thermal Power Plants (《火電廠大氣污染物排放標準》) (the “Revised Emission Standards”), which became effective on 1 January 2012 (for new power plants) and 1 July 2014 (for existing power plants), the demand for bag filter precipitators and electrostatic precipitators which were both the mainstream precipitators in the PRC were greatly increased. As a result, the revenue derived from electrostatic precipitator and bag filter precipitator were increased from RMB455.6 million and RMB24.3 million for the year ended 31 December 2012 to RMB473.0 million and RMB40.8 million for the year ended 31 December 2013 and further increased to RMB583.0 million and RMB43.1 million for the year ended 31 December 2014.

As the central government announced the special air pollution fund of RMB10 billion in February 2014 to reward enterprises to upgrade or replace old precipitators in order to clean up their emissions and effective of abovementioned Revised Emission Standards on 1 July 2014 for existing power plants, the revenue from construction contracts for electrostatic precipitator increased from RMB87.4 million in the first quarter of 2014 to RMB131.6 million in the first quarter of 2015.

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As electrostatic precipitators with higher removal efficiency and lower energy consumption when compare with bag filter precipitators and electrostatic-bag composite precipitators, the construction contracts for bag filter precipitators and electrostatic-bag composite precipitators decreased by 15.3% and 92.3% from RMB21.5 million and RMB14.3 million in the first quarter of 2014 to RMB18.2 million and RMB1.1 million in the same period of 2015.

With our project delivery experience for new installation projects, we also provided large scale upgrading and modification projects for power plants and other industries during the Track Record Period. The following table sets forth a revenue breakdown of construction projects by types of new installation project and upgrading and modification project for the respective years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Revenue										
Newly installed.	532,854	98.8	525,636	91.4	538,599	69.4	122,070	89.2	134,287	86.1
Upgrading/modification.	<u>6,571</u>	<u>1.2</u>	<u>49,757</u>	<u>8.6</u>	<u>237,997</u>	<u>30.6</u>	<u>14,710</u>	<u>10.8</u>	<u>21,627</u>	<u>13.9</u>
	<u>539,425</u>	<u>100.0</u>	<u>575,393</u>	<u>100.0</u>	<u>776,596</u>	<u>100.0</u>	<u>136,780</u>	<u>100.0</u>	<u>155,914</u>	<u>100.0</u>

Except for the year ended 31 December 2014, over 85% of our revenue were derived from newly installed projects during the Track Record Period. As the Revised Emission Standards on existing coal-fired power plants became effective on 1 July 2014 and the PRC government announced that a special air pollution fund of RMB10 billion would be set aside in 2014 to reward enterprises which clean up their emissions as an incentive to encourage enterprises to upgrade or replace old precipitators, the number of commenced projects in relation to upgrading and modification of existing power plants greatly increased since second half of 2013. As a result, the revenue contribution in relation to upgrade and modification projects increased from RMB6.6 million for the year ended 31 December 2012 to RMB49.8 million for the year ended 31 December 2013 and further increased to RMB238.0 million for the year ended 31 December 2014. It also explained the increase of revenue contribution from upgrade and modifications projects from RMB 14.7 million for the three months ended 31 March 2014 to RMB 21.6 million for the same period in 2015.

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Leveraging our extensive experience in the PRC market, we have expanded into international market since 2005 through undertaking projects as sub-contractor or key contractor from the PRC subsidiaries of a number of overseas power generation enterprises and overseas environmental engineering enterprises. This allows our atmospheric pollution control solutions be applied in foreign countries such as Vietnam, Korea, Thailand, Indonesia, India, Chile, Panama and Russia. The table below sets forth the breakdown of our total revenue by geographic locations for the respective years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Revenue										
The PRC	535,425	96.7	587,971	99.0	754,642	96.5	133,285	97.0	147,930	94.4
Other countries	18,118	3.3	6,087	1.0	27,263	3.5	4,186	3.0	8,715	5.6
	<u>553,543</u>	<u>100.0</u>	<u>594,058</u>	<u>100.0</u>	<u>781,905</u>	<u>100.0</u>	<u>137,471</u>	<u>100.0</u>	<u>156,645</u>	<u>100.0</u>

Cost of sales

Our cost incurred in construction projects comprises principally material costs, staff costs, depreciation and overhead costs. Our cost of sales primarily consists of cost of raw materials, which include steel. Our major raw materials in our manufacturing process of our ash removal and transfer devices and desulfurization and denitrification devices are steel, electrical instruments, filter bags and others. For the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the cost of steel used represented 55.9%, 55.0%, 48.0% and 48.5% of our cost of sales. The following breakdown sets forth the breakdown of our cost of sales by nature of expenses for the respective years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Cost of sales										
- Material costs	397,331	81.3	410,062	79.7	444,745	69.6	84,732	71.8	93,908	74.1
- Steel	273,304	55.9	283,073	55.0	306,908	48.0	58,471	49.6	61,422	48.5
- Electronic parts and accessories	89,628	18.4	91,205	17.7	99,499	15.6	19,744	16.7	11,486	9.1
- Hardwares and accessories	34,399	7.0	35,784	7.0	38,338	6.0	6,517	5.5	21,000	16.5
- Staff costs	45,136	9.2	58,414	11.4	119,057	18.6	20,665	17.5	14,479	11.4
- Depreciation	3,139	0.6	3,081	0.5	4,427	0.7	693	0.6	658	0.5
- Overhead costs (e.g. utility charge)	13,678	2.8	10,091	2.0	28,289	4.4	3,815	3.2	6,306	5.0
- Others	29,632	6.1	32,828	6.4	42,228	6.7	8,064	6.9	11,418	9.0
	<u>488,916</u>	<u>100.0</u>	<u>514,476</u>	<u>100.0</u>	<u>638,746</u>	<u>100.0</u>	<u>117,969</u>	<u>100.0</u>	<u>126,769</u>	<u>100.0</u>

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The combination of the construction projects, namely new installation project and upgrading and modification projects, can in general affect the extent of the usage of materials and staff. More materials, especially steel, are consumed when more new installation projects are conducted, whereas more staff are required when more upgrading and modification projects are conducted.

Our steel costs in cost of sales reduced from 55.9% for the year ended 31 December 2012 to 48.5% for the three months ended 31 March 2015, which was mainly attributable by the decreasing average steel price in the PRC.

Our cost of sales on electronic parts and accessories and hardwares and accessories depends on the size, complexity and number of the projects. During the Track Record Period, we leveraged our experience on atmospheric pollution control devices for tailor-making our products to minimize costs on these components, which generally at approximately 26.0% of the costs of sales.

Our cost of sales on staff costs also depends on the size, complexity and number of the projects. The cost of sales on staff costs increased significantly in 2014 mainly attributable to (i) we hired additional workers in 2014 in response to business growth; and (ii) general increase of worker salaries. As the number of construction projects with revenue contribution decreased from 91 for the three months ended 31 March 2014 to 64 for the same period in 2015, the proportion of staff costs decreased from 17.5% for the three months ended 31 March 2014 to 11.4% in the same period in 2015.

Gross profit and gross margin

The following table sets forth a breakdown of our gross profit and gross margin (stated as a percentage of revenue) for the respective years/periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
				<i>(Unaudited)</i>	
Gross profit (RMB'000)	64,627	79,582	143,159	19,502	29,876
Gross profit margin (%)	11.7	13.4	18.3	14.2	19.1

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The following table sets forth a gross profit and gross profit margin breakdown of construction projects by types of new installation project and upgrading and modification project for the respective years/periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	<i>(Unaudited)</i>				
Newly installed					
Gross profit (RMB'000)	59,482	69,448	98,003	17,825	28,315
Gross profit margin (%)	11.2	13.2	18.2	14.6	21.1
Upgrading and modification					
Gross profit (RMB'000)	1,145	7,799	42,134	1,458	1,043
Gross profit margin (%)	17.4	15.7	17.7	9.9	4.8

Our gross profit and gross profit margin increased significantly for the year ended 31 December 2014 for newly installed project was driven by (i) the increased market demand upon the adoption of the stringent emission standard in the PRC leading to more construction contracts with higher gross profit margin negotiated by us for the year ended 31 December 2014 and (ii) the generally lower production costs per project as a result of cost advantages from the economies of scale upon the increase in production activities for the year ended 31 December 2014.

Our gross profit margins of the new installation projects for the three months ended 31 March 2015 increased compared to three months ended 31 March 2014 mainly due to the increase of construction contracts with more favourable pricing terms negotiated by us in second half of 2014, upon the adoption of the increasingly stringent emission standard in the PRC. The decrease in gross profit margins of upgrading and modification projects was because we engaged in the relatively low gross profit margin projects to enhance our portfolio in order to facilitate our future tender submission.

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The following table sets forth a further gross profit and gross profit margin breakdown of construction contracts by types of atmospheric pollution control solutions for the respective years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Construction projects										
Ash removal and transfers										
- Electrostatic precipitator	57,569	12.6	67,429	14.3	122,065	20.9	10,198	11.7	26,996	20.5
- Electrostatic-bag composite precipitator	247	0.5	3,024	5.6	6,109	12.3	1,981	13.8	185	16.4
- Bag filter precipitator	1,170	4.8	6,463	15.9	3,745	8.7	5,651	26.3	1,825	10.0
- Others (e.g. Pneumatic ash conveying system)	1,563	11.6	212	3.0	3,543	21.5	761	20.8	230	38.9
SO ₂ and NO _x emission reduction (desulfurisation and denitrification devices)										
	79	8.4	119	15.6	4,675	5.5	692	7.0	122	2.8

Our gross profit and gross profit margin increased significant for the year ended 31 December 2014 for ash removal and transfers devices was attributable to (i) the increase of construction contracts with more favourable pricing terms negotiated by us in 2014 upon the adoption of the increasingly stringent emission standard in the PRC and (ii) the generally lower production costs per project as a result of cost advantages from the economies of scale upon the increase in production activities in 2014.

Our gross profit and gross profit margin decreased significant for the year ended 31 December 2014 for SO₂ and NO_x emission reduction devices was mainly due to we adopt pricing strategy to capture market share in 2014 to expand our product portfolio.

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Other income and gains

During the Track Record Period, our other income and gains mainly comprise (i) bank interest income; (ii) rental income from the leasing of our premises in Zhuji City to Tianjie New Materials for industrial use at an annual rental sum of RMB1.1 million; (iii) gains on disposal of property, plant and equipment; (iv) gains on disposal of Yuanteng Logistics in 2012; and (v) government grants. The table below sets forth the breakdown of our other income and gains for the respective years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Other income and gains										
Bank interest income	789	17.0	334	17.9	264	8.7	44	12.2	47	12.4
Rental income	1,085	23.4	1,085	58.1	1,085	35.9	271	74.8	271	71.3
Government grants	52	1.1	377	20.2	1,612	53.3	30	8.3	—	—
Gains on disposal of a subsidiary	1,702	36.8	—	—	—	—	—	—	—	—
Gains on disposal of property, plant and equipment	901	19.5	—	—	—	—	—	—	—	—
Others (e.g. exchange gain)	99	2.2	72	3.8	61	2.1	17	4.7	62	16.3
	<u>4,628</u>	<u>100.0</u>	<u>1,868</u>	<u>100.0</u>	<u>3,022</u>	<u>100.0</u>	<u>362</u>	<u>100.0</u>	<u>380</u>	<u>100.0</u>

Selling and distribution expenses

Our selling and distribution expenses primarily consist of wages and benefits, travelling expenses, bid service fees, entertainment expenses and after-sales services expense. Bid service fees represent services fees pay to project owners or bidding service companies which designated by project owners to coordinate the tender process. Bid service fees incurred when we are successfully selected after the tendering process. The bid service fees are normally based on a certain percentage of the tender price on the tender document. After-sales service expenses are incurred when we provide maintenance services during the warranty period, which usually ends at the earlier of 12 months after the date of issue of the preliminary certificate of completion or 18 to 36 months after the products have been delivered. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our selling and distribution expenses represent merely 2.3%, 2.6%, 2.1% and 2.3% of our total revenue from continuing operations, respectively.

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The following table sets forth a breakdown of our selling and distribution expenses for the respective years/periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(Unaudited)</i>									
Selling and distribution expenses										
Traveling expense	3,297	26.3	3,756	24.4	3,866	23.9	836	22.4	1,137	31.7
Staff salary and welfare	3,266	26.0	3,510	22.8	4,197	25.9	1,118	29.9	733	20.4
Entertainment fees	2,462	19.6	3,311	21.5	3,623	22.4	756	20.2	986	27.5
After-sales service expenses	1,148	9.2	672	4.4	566	3.5	238	6.4	—	—
Bid and agency service expenses	1,987	15.8	3,761	24.5	3,440	21.3	646	17.3	490	13.6
Office expenses	62	0.5	63	0.4	24	0.2	—	—	112	3.1
Others	325	2.6	308	2.0	460	2.8	143	3.8	133	3.7
	<u>12,547</u>	<u>100.0</u>	<u>15,381</u>	<u>100.0</u>	<u>16,176</u>	<u>100.0</u>	<u>3,737</u>	<u>100.0</u>	<u>3,591</u>	<u>100.0</u>

Administrative expenses

Our administrative expenses primarily consist of professional fees, entertainment fees, traveling expenses, staff salaries and welfares, impairment losses, depreciation and amortisation, and professional advisory fees in relation to preparation of Listing. Professional fees mainly included (i) services fees for independent technical consultant to provide technical advice on engineering design; (ii) fees provided to academic institution for technical enhancement of our projects and; (iii) statutory audit and the PRC taxation consultancy fees. Professional advisory fees in relation to preparation of Listing represent the professional services fees paid to auditors and lawyers in relation to the preparation work of the Listing, such as preparation of audit reports under HKFRSs prior to Track Record Period. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31

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March 2015, our administrative expenses represent merely 2.9%, 3.4%, 2.3% and 2.0% of our total revenue from continuing operations, respectively. The following table sets forth a breakdown of our administrative expenses for the respective years/periods indicated:

	2012		Year ended 31 December				Three months ended 31 March			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(Unaudited)</i>			
Staff salaries and welfares	4,095	25.5	5,998	29.8	9,257	52.5	1,837	50.0	2,775	86.6
Impairment losses/(reversal of provision for impairment losses) . . .	5,696	35.5	4,395	21.8	(1,640)	(9.3)	(585)	(15.9)	(1,623)	(50.7)
Depreciation & amortisation	1,490	9.3	1,486	7.4	1,413	8.0	336	9.2	404	12.6
Taxation	1,130	7.0	1,187	5.9	1,880	10.7	405	11.0	474	14.8
Professional fees	1,222	7.6	1,027	5.1	789	4.5	339	9.2	210	6.6
Entertainment fees	199	1.2	534	2.7	1,047	6.0	190	5.2	158	4.9
Traveling expenses	513	3.2	1,016	5.0	1,852	10.5	301	8.2	300	9.4
Bank commission charges	540	3.4	462	2.3	933	5.3	603	16.4	114	3.6
Water conservancy fund	505	3.2	631	3.1	624	3.5	110	3.0	164	5.1
Professional advisory fees in relation to preparation of Listing	—	—	2,570	12.8	—	—	—	—	—	—
Office expenses and office rental expenses	48	0.3	161	0.8	833	4.7	104	2.8	125	3.9
Others	603	3.8	658	3.3	633	3.6	32	0.9	103	3.2
Total	16,041	100.0	20,125	100.0	17,621	100.0	3,672	100.0	3,204	100.0

Finance costs

Our finance expenses consist of interest expense on bank loans and discounted bills. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our finance expenses amounted to RMB10.6 million, RMB9.8 million, RMB10.0 million and RMB2.8 million, respectively.

Income tax expense

Our Company is subject to an income tax rate of 25% pursuant to the PRC EIT Law. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our income tax expenses were RMB6.4 million, RMB9.2 million, RMB26.0 million and RMB5.3 million, respectively, and our effective tax rates were 23.5%, 26.2%, 25.9% and 26.0%, respectively.

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Profit for the year/period from continuing operations

Our profit for the year/period from continuing operations are RMB20.9 million, RMB25.8 million, RMB74.2 million and RMB15.1 million during the Track Record Period, representing a profit margin of 3.8%, 4.3%, 9.5% and 9.7%.

Profit for the year/period from a discontinued operation

On 23 November 2012, our Company entered into an equity transfer agreement with Zhuji TuoYu renewable Resources Ltd.* (諸暨市拓宇再生資源有限公司) (“TuoYu Renewable”), pursuant to which our Company agreed to dispose its entire 100% equity interest in Yuanteng Logistics, our then subsidiary which was engaged in transportation services, to TuoYu Renewable for a total consideration of RMB1 million so that our Group could focus its resources on its manufacturing business. The disposal was completed and Yuanteng Logistics ceased to be our subsidiary on 25 December 2012. The profit for the period from the discontinued operation amounted to RMB5.6 million for the period from 1 January 2012 to 25 December 2012.

THREE MONTHS ENDED 31 MARCH 2015 COMPARED TO THREE MONTHS ENDED 31 MARCH 2014

Revenue

The majority of our revenue was generated in the PRC for the three months ended 31 March 2014 and 2015. Revenue increased by 13.9% from RMB137.5 million for the three months ended 31 March 2014 to RMB156.6 million for the same period in 2015. The increase was primarily contributed by construction contracts which increased from RMB136.8 million for the three months ended 31 March 2014 to RMB155.9 million for the same period in 2015 as a result of the increase in demand from construction contracts of electrostatic precipitators. As the central government announced the special air pollution fund of RMB10 billion in February 2014 to reward enterprises to upgrade or replace old precipitators in order to clean up their emissions and effective of Revised Emission Standards on 1 July 2014 for existing power plants, the demand for electrostatic precipitators was greatly increased. The revenue from construction contracts for electrostatic precipitator increased substantially from RMB87.4 million in the first quarter of 2014 to RMB131.6 million in the first quarter of 2015. As electrostatic precipitators with higher removal efficiency and lower energy consumption when compare with bag filter precipitators and electrostatic-bag composite precipitators, the construction contracts for bag filter precipitators and electrostatic-bag composite precipitators decreased by 15.3% and 92.3% from RMB21.5 million and RMB14.3 million in the first quarter of 2014 to RMB18.2 million and RMB1.1 million in the first quarter of 2015.

The total number of construction projects with revenue contribution decreased from 91 for the three months ended 31 March 2014 to 64 for the same period in 2015. Our proportion of revenue generated from upgrading/modification to total construction projects revenue generated increased significantly from 10.8% to 13.9% which was driven by (i) the abovementioned special air pollution fund of RMB10 billion announced by the central government in February 2014 and (ii) the Revised Emission Standards on existing coal-fired power plants which came into effect on 1 July 2014.

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Cost of sales

Cost of sales increased by 7.5% from RMB118.0 million for the three months ended 31 March 2014 to RMB126.8 million for the same period in 2015, which corresponds to the increase in revenue. Material costs, which were mainly steel cost, increased by 5.0% from RMB58.5 million in the three months ended 31 March 2014 to RMB61.4 million in the same period of 2015 to cope with the increased demand for materials to complete our construction contracts of electrostatic precipitators. Staff costs decreased by 30.0% from RMB20.7 million for the three months ended 31 March 2014 to RMB14.5 million for the same period in 2015 as a result of decrease in number of construction projects with revenue contribution from 91 for the three months ended 31 March 2014 to 64 for the same period in 2015.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased significantly by RMB10.4 million, or 53.3%, from RMB19.5 million for the three months ended 31 March 2014 to RMB29.9 million for the same period in 2015. Our gross margin also improved significantly from 14.2% for the three months ended 31 March 2014 to 19.1% for the same period in 2015. The significant increase in gross profit margin was attributable to (i) the increase of construction contracts with more favourable pricing terms negotiated by us in second half of 2014 upon the adoption of the increasingly stringent emission standard in the PRC and (ii) the generally lower production costs per project as a result of cost advantages from the economies of scale upon the increase in production activities in first quarter of 2015.

Other income and gain

Our other income and gain remained stable at RMB0.4 million for the three months ended 31 March 2014 and the same period ended in 2015 respectively.

Selling and distribution expenses

Our selling and distribution expenses decreased by 2.7% from RMB3.7 million for three months ended 31 March 2014 to RMB3.6 million for the same period in 2015 as a result of decrease in number of construction projects.

Administrative expenses

Administrative expenses decreased by 13.5% from RMB3.7 million for three months ended 31 March 2014 to RMB3.2 million for the same period in 2015, which was mainly brought about by (i) decrease of RMB0.4 million in bank commission charges; and (ii) increase of RMB1.0 million in reversal of provision for impairment loss on trade receivables and inventories and partially offset by the increase of RMB0.9 million in wages and benefits to support the business growth.

Finance cost

Finance cost remained stable at RMB2.2 million for three months ended 31 March 2014 and RMB2.8 million for the same period in 2015, which was mainly incurred on our bank loans.

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Income tax

Our income tax increased from RMB4.3 million for three months ended 31 March 2014 to RMB5.3 million for the same period in 2015. Such increase was due to the significant 103.6% increase in profit before tax from continuing operations. The effective tax rates were 42.9% for three months ended 31 March 2014 and 26.0% for the same period in 2015. The high effective tax rate for the three months ended 31 March 2014 was mainly due to RMB6.2 million of tax loss not recognised arising from Tianjie Installation Engineering.

Profit for the period from continuing operations

As a result of the foregoing, we recorded profit for the period from continuing operations of RMB5.7 million three months ended 31 March 2014 and RMB15.1 million for the same period in 2015, with profit margin of 4.2% and 9.7%, respectively.

YEAR ENDED 31 DECEMBER 2014 COMPARED TO YEAR ENDED 31 DECEMBER 2013

Revenue

The majority of our revenue was generated in the PRC during the years ended 31 December 2013 and 2014. However, our proportion of revenue generated from other countries to total revenue generated also increased slightly from 1.0% to 3.5%. Such increase was mainly due to two construction projects for electrostatic precipitator in Thailand, which contributed to 41.0% of the total revenue generated from other countries for year ended 31 December 2014.

Revenue increased by 31.6% from RMB594.1 million for the year ended 31 December 2013 to RMB781.9 million for the same period in 2014. The increase is primarily contributed by revenue from construction projects which increased from RMB575.4 million for the year ended 31 December 2013 to RMB776.6 million for the year ended 31 December 2014 as a result of (i) the RMB117.5 million increase in construction projects for our ash removal and transfers devices, particularly electrostatic precipitator, bag filter precipitator and pneumatic ash conveying system in the 2014, which was driven by increased government subsidies to enterprises to upgrade or replace old precipitators for the conformation to tougher emission standards; (ii) the RMB83.7 million increase in construction projects revenue in relation to desulfurisation and denitrification devices after the PRC government imposed tougher environmental measures in 2014 by raising standards for energy-saving and environmental protection, particularly the emission of SO₂.

The total number of construction projects with revenue contribution increased from 101 for the year ended 31 December 2013 to 157 for the year ended 31 December 2014. Our proportion of revenue generated from upgrading/modification to total revenue generated increased significantly from 8.4% to 30.4% which was driven by (i) the special air pollution fund of RMB10 billion announced by the central government in February 2014 to reward enterprises which clean up their emission as an incentive to encourage enterprises to upgrade or replace old precipitators and (ii) the Revised Emission Standards on existing coal-fired power plants which came into effect on 1 July 2014.

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Cost of sales

Cost of sales increased by 24.1% from RMB514.5 million for the year ended 31 December 2013 to RMB638.7 million for the same period in 2014, which corresponds to the increase in revenue. During year ended 31 December 2014, our material costs increased by RMB34.7 million, which were mainly represented by steel cost. Such increase was due to the increased usage of steel for our construction projects as a result of number of construction projects with revenue contribution increased from 101 for the year ended 31 December 2013 to 157 for the year ended 31 December 2014. Staff costs also increased by 103.9% from RMB58.4 million for the year ended 31 December 2013 to RMB119.1 million for the year ended 31 December 2014 as a result of (i) hiring additional workers in 2014 in response to business growth; and (ii) general increase of salaries level of workers.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased significantly by RMB63.6 million, or 79.9%, from RMB79.6 million for the year ended 31 December 2013 to RMB143.2 million for the same period in 2014. Our gross margin also improved significantly from 13.4% for the year ended 31 December 2013 to 18.3% for the same period in 2014. The significant increase in gross profit margin was attributable to (i) the increase of construction contracts with more favourable pricing terms negotiated by us in 2014 upon the adoption of the increasingly stringent emission standard in the PRC and (ii) the generally lower production costs per project as a result of cost advantages from the economies of scale upon the increase in production activities in 2014.

Other income and gain

Our other income and gain increased from RMB1.9 million for the year ended 31 December 2013 to RMB3.0 million for the same period in 2014. Such increase was attributable to the government grant of RMB1.6 million received in 2014 for (i) social security deduction; and (ii) tax deduction for land use tax.

Selling and distribution expenses

Our selling and distribution expenses increased by 5.2% from RMB15.4 million for the year ended 31 December 2013 to RMB16.2 million for the year ended 31 December 2014 as more wages and benefits and travelling expenses were incurred to support our business growth.

Administrative expenses

Administrative expenses decreased by 12.4% from RMB20.1 million for the year ended 31 December 2013 to RMB17.6 million for the year ended 31 December 2014, which was mainly brought about by (i) decrease of RMB6.0 million in impairment loss on trade receivables and inventories; and (ii) the decrease in professional advisory fees in relation to preparation of Listing of RMB2.6 million for the preparation of audit reports prior to Track Record Period and others related professional fees in the year of 2013, and partially offset by (i) the increase of RMB3.3 million in wages and benefits to support the business growth; (ii) the increase of RMB0.7 million in taxation in response to upward

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adjustment for land use tax rates by tax authority for the year ended 31 December 2013; (iii) increase of RMB0.5 million in entertainment fees and RMB0.8 million in travelling expenses as a result of business growth; and (iv) increase of RMB0.7 million in office expenses and office rental expenses as we started to pay rental expenses to TGL for office permits at TGL's main office building.

Finance cost

Finance cost remained stable at RMB9.8 million for the year ended 31 December 2013 and RMB10.0 million for the year ended 31 December 2014, which was mainly incurred on our bank loans.

Income tax

Our income tax increased significantly to RMB26.0 million for the year ended 31 December 2014 from only RMB9.2 million for the year ended 31 December 2013. Such dramatic increase was due to the significant 186.0% increase in profit before tax from continuing operations. The effective tax rates were 26.2% for the year ended 31 December 2013 and 25.9% for the year ended 31 December 2014.

Profit for the period from continuing operations

As a result of the foregoing, we recorded profit for the period from continuing operations of RMB25.8 million for the year ended 31 December 2013 and RMB74.2 million for the year ended 31 December 2014, with profit margin of 4.3% and 9.5%, respectively.

YEAR ENDED 31 DECEMBER 2013 COMPARED TO YEAR ENDED 31 DECEMBER 2012

Revenue

Revenue increased from RMB553.5 million for the year ended 31 December 2012 to RMB594.1 million for the year ended 31 December 2013, representing an increase of 7.3%. Over 95% of revenue was generated from construction projects for both year 2012 and 2013. In both years, the majority of revenue was generated from construction projects for electrostatic precipitators, representing more than 75% of total revenue. The RMB40.5 million increases in revenue was primarily contributed by the increase in revenue by RMB36.1 million from our ash removal and transfers devices from RMB538.5 million for the year ended 31 December 2012 to RMB574.6 million for the year ended 31 December 2013.

During the year ended 31 December 2013, the total number of construction projects with revenue contribution increased from 90 for the year ended 31 December 2012 to 101 for the year ended 31 December 2013. Our revenue generated from upgrading and modification increased from RMB6.6 million in 2012 to RMB49.8 million for the year ended 31 December 2013. On the other hand, revenue generated from newly installed facilities decreased from RMB532.9 million for the year ended 31 December 2012 to RMB525.6 million in 2013, which reduced the proportion to revenue generated from construction projects from 98.8% in 2012 to 91.4% for the year ended 31 December 2013. Such decrease was in line with the reduction in annual installed capacity in the overall coal-power industry in the PRC as a result of the Plan for Energy Conservation and Environmental Protection Industry

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issued by the PRC State Council in June 2012 with a series of key measures to promote energy conservation and environmental protection. According to the Yubo Report, the annual installed capacity decreased from 506.6 million kW for the year ended 31 December 2012 to 365.0 million kW for the year ended 31 December 2013.

Cost of sales

Our cost of sales increased slightly by RMB25.6 million from RMB488.9 million for the year ended 31 December 2012 to RMB514.5 million for the year ended 31 December 2013, which was primarily contributed by (i) the increase in staff costs by RMB13.3 million due to increase in the number of construction projects; (ii) the increase in material costs by RMB12.7 million due to the increased usage of steel for our construction projects.

Gross profit and gross margin

Our gross profit increased by RMB15.0 million from RMB64.6 million for the year ended 31 December 2012 to RMB79.6 million for the year ended 31 December 2013. Our gross margin also increased from 11.7% for the year ended 31 December 2012 to 13.4% for the year ended 31 December 2013. The increase was mainly attributable to the generally higher gross margin of projects with revenue contribution for the year ended 31 December 2013 as a result of the increased market demand.

Other income and gain

Our other income and gain decreased from RMB4.6 million for the year ended 31 December 2012 to RMB1.9 million for the year ended 31 December 2013. Such decrease was attributable to the non-recurring gains arising from (i) the disposal gain of Yuanteng Logistics amounting to RMB1.7 million for the year ended 31 December 2012 and (ii) the one-off gain of RMB0.9 million from the disposal of property, plant and equipment for the year ended 31 December 2012.

Selling and distribution expenses

Our selling and distribution expenses increased by 23.2% from RMB12.5 million for the year ended 31 December 2012 to RMB15.4 million for the year ended 31 December 2013 due to the increase in (i) wages and benefits and entertainment expenses to support business growth; and (ii) tendering expenses due to the increase in number of tender submissions.

Administrative expenses

Administrative expenses increased significantly by 25.6% or RMB4.1 million from RMB16.0 million for the year ended 31 December 2012 to RMB20.1 million for the year ended 31 December 2013, which was mainly brought about by (i) the professional advisory fees in relation to preparation of Listing of RMB2.6 million for the preparation work of the Listing in the year of 2013, such as preparation of audit reports under HKFRSs prior to Track Record Period; (ii) the increase of RMB1.9 million in staff salary and welfare costs due to the increase in technical staff and project managers to support our business growth for the year ended 31 December 2013; and partially offset by the RMB1.3 million decrease in impairment loss on trade receivables.

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Finance cost

Finance cost decreased slightly from RMB10.6 million for the year ended 31 December 2012 to RMB9.8 million for the year ended 31 December 2013. The decrease was due to the drop of interest expenses paid to TGL from RMB3.0 million for the year ended 31 December 2012 to RMB0.4 million for the year ended 31 December 2013 as a result of the decrease in the average balance of RMB61.5 million for the year ended 31 December 2012 to RMB5.0 million for the year ended 31 December 2013; and partially offset by the RMB1.9 million increase in interest expense on bank loan for the year ended 31 December 2013. The loans granted by TGL to us have been repaid in full in September 2014.

Income tax

Our income tax rose to RMB9.2 million for the year ended 31 December 2013 from RMB6.4 million for the same period in 2012, representing a 43.8% increase. Such increase was mainly due to the 28.2% increase in profit before tax from continuing operations. The effective tax rates were 23.5% for the year ended 31 December 2012 and 26.2% for the year ended 31 December 2013. The lower tax rate in 2012 was due to the RMB0.7 million income on RMB1.7 million gain on disposal of subsidiary, which was not subject to income tax.

Profit for the period from continuing operations

As a result of the foregoing, we recorded profit for the period from continuing operations of RMB20.9 million for the year ended 31 December 2012 and RMB25.8 million for the year ended 31 December 2013 and the profit margin were 3.8% and 4.3%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds have been cash generated from operations and various short-term and long-term bank borrowings and lines of credit. Our liquidity requirements derive primarily from our working capital needs, the servicing of our indebtedness and the purchases of fixed assets. Historically, we have met our liquidity needs mainly by using cash generated from operations, financing the remainder primarily through bank borrowings. We expect to increase our liquidity and capital resources with the net proceeds from the Global Offering.

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The following table sets forth certain information about our consolidated cash flows for the respective years/periods indicated.

	Year ended 31 December			Three months ended
	2012	2013	2014	31 March 2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows generated from/(used in)				
operating activities	(104,960)	573	29,281	4,421
Net cash flows generated from/(used in)				
investing activities	28,737	(7,343)	(16,112)	(638)
Net cash flows generated from/(used in)				
financing activities	76,767	16,149	(25,111)	(1,402)
Net increase/(decrease) in cash and cash				
equivalents	544	9,379	(11,942)	2,381
Cash and cash equivalents at beginning of				
year/period	5,391	5,912	15,168	3,285
Effect of foreign exchange rate changes, net . .	(23)	(123)	59	62
Cash and cash equivalents at end of				
year/period	5,912	15,168	3,285	5,728

Cash flows from operating activities

We experienced net cash outflow from our operating activities for the year ended 31 December 2012 mainly because of (i) our Group's longer trade receivables collection period than our Group's trade payables settlement period; and (ii) the significant increase in trade and bills receivables as a result of our business expansion with more projects obtained. As we escalated our efforts in collecting trade receivables since 2013, we generated operating cash inflow of approximately RMB0.6 million and approximately RMB29.3 million for the years ended 31 December 2013 and 2014 and approximately RMB4.4 million for three months ended 31 March 2015, respectively.

For the three months ended 31 March 2015, we have generated cash inflow from operating activities of RMB4.4 million, primarily reflecting our profit before tax from continuing operations of RMB20.5 million, as negatively adjusted by (i) RMB63.6 million increase in net of gross amounts due from contract customers and gross amounts due to contract customers; (ii) RMB3.9 million increase in prepayments, deposits and other receivables as a result of business expansion; (iii) RMB5.2 million increase in non-current portion of pledged deposits; (iv) RMB4.2 million increase in inventories as a result of increase in business operation; and (v) RMB11.3 million paid for interest and income tax expenses, which were partially offset by (i) net cash generated from operating activities before change in working capital in the amount of RMB2.5 million; (ii) RMB26.5 million decrease in trade and bills receivables as a result of escalation of our efforts in collecting trade receivables in first quarter of 2015; (iii) RMB6.0 million increase in amounts due to the holding company, related parties and related

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companies; (iv) RMB8.0 million increase in advance from customers, other payables and accruals as a result of the increased advances from customers from business expansion; (v) RMB26.9 million increase in trade and bills payables for the more projects in construction as at end of first quarter of 2015; and (vi) RMB2.1 million decrease in current portion of pledged deposits.

For the year ended 31 December 2014, we have generated cash inflow from operating activities of RMB29.3 million, primarily reflecting our profit before tax from continuing operations of RMB100.2 million, as negatively adjusted by (i) RMB151.2 million increase in net of gross amounts due from contract customers and gross amounts due to contract customers; (ii) RMB4.4 million increase in prepayments, deposits and other receivables as a result of business expansion; (iii) RMB21.3 million increase in non-current portion of pledged deposits; (iv) RMB1.7 million decrease in amounts due to the holding company, related parties and related companies; and (v) RMB36.5 million paid for interest and income tax expenses, which were partially offset by (i) net cash generated from operating activities before change in working capital in the amount of RMB14.6 million; (ii) RMB34.6 million decrease in trade and bills receivables as a result of escalation of our efforts in collecting trade receivables in 2014; (iii) RMB13.1 million decrease in inventories as a result of decrease in raw material level due to the management imposed tighter control over working capital; (iv) RMB66.9 million increase in advance from customers, other payables and accruals as a result of the increased advances from customers from business expansion; (v) RMB1.4 million decrease in amounts due from the holding company, a related party and related companies; (vi) RMB8.7 million increase in trade and bills payables for the more projects in construction as at end of year 2014; and (vii) RMB4.8 million decrease in pledged deposits - current.

For the year ended 31 December 2013, we have generated cash inflow from operating activities RMB0.6 million, primarily reflecting our profit before tax from continuing operations of RMB35.0 million, as negatively adjusted by (i) RMB31.2 million increase in net of gross amounts due from contract customers and gross amounts due to contract customers; (ii) RMB67.9 million increase in trade and bills receivables and inventories as a result of the increase in the number of construction contracts in 2013; (iii) RMB5.9 million increase in prepayments, deposits and other receivables; (iv) RMB8.2 million decrease in amounts due to the holding company; (v) RMB18.3 million paid for interest and income tax expenses; and (vi) RMB7.2 million increase in non-current pledged deposits, which were partially offset by (i) net cash generated from operating activities before change in working capital in the amount of RMB20.1 million; (ii) RMB59.6 million increase in trade and bills payables for the more projects in construction as at end of year 2013; and (iii) RMB14.4 million increase in advance from customers, other payables and accruals as a result of the increased advances from customers from business expansion; (iv) RMB2.7 million decrease in amounts due from a related party and related companies; and (v) RMB6.9 million decrease in current portion of pledged deposits.

For the year ended 31 December 2012, we have net cash used in operating activities RMB105.0 million, primarily reflecting our profit before tax from continuing operation of RMB27.3 million, as negatively adjusted by (i) RMB171.8 million increase in trade and bills receivables as a result of nearly half of 2012 signed contracts were completed in year 2012; (ii) RMB17.8 million increase in prepayment, deposits and other receivables from the increase in bidding service companies in response to the increased number of tender submission; (iii) RMB5.3 million decrease in trade and bills payables; (iv) RMB64.2 million decrease in advances from customers, other payables and accruals as a result of the significantly reduced advance from customers; (v) RMB23.1 million paid for interest

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and income tax expenses, which were partially offset by (i) profit before tax from discontinued operation amounted RMB7.5 million; (ii) profit before tax from continuing operations amounted RMB27.0 million; (iii) net cash generated from operating activities before change in working capital in the amount of RMB19.4 million; (iv) RMB86.1 million in the decrease in net of gross amounts due from contract customers and gross amounts due to contract customers; (v) RMB9.2 million decrease in amounts due from the holding company; (vi) RMB3.1 million decrease in amounts due from a related party; (vii) RMB12.2 million decrease in pledged deposits; (viii) RMB12.4 million increase in amounts due to the holding company, related companies and related parties.

Cash flows from investing activities

During the Track Record Period, we experienced the net cash inflow from our investing activities for the year ended 31 December 2012. This was mainly attributable to the cash inflow from the sales of available-for-sale investment. Due to our business expansion, the net cash outflows from our investing activities for the years ended 31 December 2013, 2014 and the three months ended 2015 were mainly related to the business expansion for purchasing the plant and machinery and investing on the infrastructure of new production facilities in Xinjiang.

For the three months ended 31 March 2015, we used in investing activities RMB0.6 million for the purchase of plant and machinery amounted approximately RMB0.6 million.

For the year ended 31 December 2014, we used in investing activities RMB16.1 million for the purchase of plant and machinery amounted approximately RMB8.5 million and construction of new production facilities in Xinjiang amounted approximately RMB7.6 million.

For the year ended 31 December 2013, we used in investing activities RMB7.3 million mainly for the purchase of new plant and machinery amounted approximately RMB3.5 million and infrastructure of new production facilities in Xinjiang amounted RMB3.8 million.

For the year ended 31 December 2012, we generated from investing activities RMB28.7 million mainly due to (i) RMB30.0 million cash inflow from the sales of available-for-sale investment; and (ii) RMB1.0 million on the disposal of a subsidiary; and partially offset by the purchase of new plant and machinery of RMB3.1 million.

Cash flows from financing activities

During the Track Record Period, we experienced net cash inflows from our financing activities for the three years ended 31 December 2014 and the three months ended 31 March 2015 were mainly attributable to the borrowed bank loans over the periods for funding business expansion.

For the three months ended 31 March 2015, we used in financing activities RMB1.4 million mainly for the (i) the tax payment for dividend payment amounted approximately RMB2.4 million; and (ii) repayment of bank loans amounted approximately RMB8.0 million and partially offset by proceeds of bank loans obtained amounted approximately RMB9.0 million.

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For the year ended 31 December 2014, we used in financing activities RMB25.1 million mainly for the (i) dividend payments (net of relevant tax payment) amounted approximately RMB47.0 million; (ii) payments of Listing expenses amounted RMB8.1 million; and (iii) repayment of bank loans amounted approximately RMB186.0 million and partially offset by proceeds of bank loans obtained amounted approximately RMB221.0 million.

For the year ended 31 December 2013, we generated from financing activities RMB16.1 million mainly from the proceeds of bank loans obtained amounted approximately RMB228.0 million and partially offset by repayment of bank loans amounted approximately RMB213.0 million.

For the year ended 31 December 2012, we generated from financing activities RMB76.8 million mainly from the proceeds of bank loans obtained amounted approximately RMB186.0 million and partially offset by repayment of bank loans amounted approximately RMB104.0 million.

The following table sets forth our current assets and current liabilities extracted from the consolidated statement of financial position as of the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT ASSETS					
Inventories	38,847	43,808	32,877	37,041	26,774
Gross amounts due from contract customers	187,395	231,462	377,303	437,539	636,165
Trade and bills receivables	271,376	330,015	294,505	269,536	278,823
Prepayments, deposits and other receivables	38,712	44,255	55,556	59,441	69,005
Due from the holding company	419	1,289	—	—	—
Due from related companies	935	587	481	331	633
Due from a related party	2,316	—	—	—	—
Pledged deposits	27,885	20,984	16,188	14,124	50,605
Cash and cash equivalents	<u>5,912</u>	<u>15,168</u>	<u>3,285</u>	<u>5,728</u>	<u>5,216</u>
 Total current assets	 <u>573,797</u>	 <u>687,568</u>	 <u>780,195</u>	 <u>823,740</u>	 <u>1,067,221</u>

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	As at 31 December			As at 31 March	As at 31 July
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES					
Gross amounts due to contract					
customers	91,439	104,273	98,932	95,563	111,345
Trade and bills payables	164,574	224,164	232,841	259,762	336,114
Advances from customers, other					
payables and accruals	47,224	66,668	132,212	137,757	237,066
Interest-bearing bank borrowings	123,000	138,000	173,000	174,043	169,000
Due to the holding company	11,644	1,379	1,132	6,199	4,666
Due to related companies	7,296	7,349	6,378	7,851	10,061
Due to related parties	489	985	538	—	—
Tax payable	<u>12,780</u>	<u>16,406</u>	<u>23,427</u>	<u>19,850</u>	<u>22,494</u>
 Total current liabilities	 <u>458,446</u>	 <u>559,224</u>	 <u>668,460</u>	 <u>701,025</u>	 <u>890,746</u>
 NET CURRENT ASSETS	 <u><u>115,351</u></u>	 <u><u>128,344</u></u>	 <u><u>111,735</u></u>	 <u><u>122,715</u></u>	 <u><u>176,475</u></u>

Net Current Assets

Our net current assets, the difference between total current assets and current liabilities, remained positive during the Track Record Period. As at 31 March 2015 and 31 July 2015, we had net current assets of RMB122.7 million and RMB176.5 million, respectively. As at 31 December 2012, 2013 and 2014, we had net current assets of RMB115.4 million, RMB128.3 million and RMB111.7 million, respectively.

Inventories

The table below sets forth the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	38,353	41,199	30,268	34,370
Finished goods	<u>3,265</u>	<u>4,823</u>	<u>2,609</u>	<u>2,671</u>
 Impairment	 41,618	 46,022	 32,877	 37,041
	<u>(2,771)</u>	<u>(2,214)</u>	<u>—</u>	<u>—</u>
	<u><u>38,847</u></u>	<u><u>43,808</u></u>	<u><u>32,877</u></u>	<u><u>37,041</u></u>

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As at 31 December 2012, 2013 and 2014 and as at 31 March 2015, we had inventories of RMB38.8 million, RMB43.8 million, RMB32.9 million and RMB37.0 million. They are mainly raw materials of RMB38.4 million, RMB41.2 million, RMB30.3 million and RMB34.4 million for our construction projects, which consisted of steels, filter bags, electrical instruments and other component parts. Finished goods comprise products that we produced and goods that we purchased from suppliers and planned to re-sell to our customers.

The following table sets forth average inventory turnover days for the respective years/periods indicated:

	Year ended 31 December			Three months ended
				31 March
	2012	2013	2014	2015
Average inventory turnover days ⁽¹⁾	29.1	29.3	21.9	24.8

⁽¹⁾ Average inventory turnover days are based on the average balance of inventory (net of impairment) divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for relevant period was 365 days for three years ended 31 December 2012, 2013 and 2014 or 90 days for the three months ended 31 March 2015.

The average inventory days for year 2012 and 2013 remained relatively stable at around 29.1 days to 29.3 days. The decrease in average inventory days for year 2014 was due to decrease in raw materials level as the management imposed tighter control over working capital. The average inventory days for three months ended 31 March 2015 was increased to 24.8 days which was in line with the growth of our business.

Gross amounts due from contract customers

Gross amounts due from contract customers for contract work represent the surplus derived when the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings. Gross amounts due from contract customers amounted to RMB187.4 million, RMB231.5 million, RMB377.3 million and RMB437.5 million as at 31 December 2012, 2013, 2014 and 31 March 2015, respectively. The trend is in line with that of our Group's revenue.

The gross amounts due from contract customers include balances with TGL, Tengy Group, of RMB68.1 million, RMB8.0 million, RMB8.7 million and RMB10.0 million, as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

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Trade and bills receivables

Our trade and bill receivables represent receivables from construction contracts, for sale of goods and rendering of services. The following table sets forth the breakdown of our consolidated trade and bills receivables as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables:				
Related parties	78,377	51,460	15,828	—
Third parties	160,747	201,268	230,183	207,377
Bills receivables	<u>39,420</u>	<u>85,022</u>	<u>56,207</u>	<u>68,319</u>
	278,544	337,750	302,218	275,696
Impairment	<u>(7,168)</u>	<u>(7,735)</u>	<u>(7,713)</u>	<u>(6,160)</u>
	<u>271,376</u>	<u>330,015</u>	<u>294,505</u>	<u>269,536</u>

Our trade and bills receivables as at 31 December 2012, 2013 and 2014 and 31 March 2015, amounted to RMB271.4 million, RMB330.0 million, RMB294.5 million and RMB269.5 million, respectively. The increase in balance of trade and bills receivables as at 31 December 2012 and 2013 were mainly due to (i) general increase in retention monies under trade receivable as the result of the increase in ongoing projects and (ii) growth of revenue from continuing operations. As our Group escalated efforts in collection of trade receivables, our trade receivables decreased from RMB330.0 million as at 31 December 2013 to RMB295.0 million as at 31 December 2014 and further decreased to RMB269.5 million as at 31 March 2015.

Our Group's trading terms with our customers are mainly on credit where payment in advance is normally required. In general, no credit terms are stipulated in the construction contracts entered into with our customers. Credit terms extended to our customers are determined on a case-by-case basis, depending on credit assessment carried out by management. Our management has imposed strict control over its outstanding receivables. All overdue balances are reviewed regularly by senior management. Our Group does not hold any collateral or other credit enhancements over its trade receivables balances.

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We receive payments from our customers in the form of down payment, progress payments and the return of retention money. Our customers normally pay an down payment in the range of 10%-30% of the contract value. It is common practice in the industry that customers hold up a portion of progress payments as retention money. The retention money is normally in range of 5% to 15% of the contract value. Such amount withheld by our customers for the warranty period against any possible defects in the quality of our products and will only be released after expiration of the warranty period, which is generally a period of 18 to 36 months after the date of delivery of our products, or 12 months after the date of issue of the preliminary certificate of completion, whichever is earlier. The remaining balance after the down payment will mainly be in the form of progress payment to be billed periodically according to the stage of completion of each of the construction contract.

The following table sets out the amounts of retention monies held by customers for our construction projects included in trade receivables as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts of retention monies in trade receivables	<u>22,700</u>	<u>53,160</u>	<u>25,504</u>	<u>17,967</u>

The following table sets out the aging analysis on amounts of retention monies in trade receivables as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	22,700	39,270	10,902	8,168
1 to 2 years	—	13,890	10,142	4,076
2 to 3 years	—	—	4,026	5,483
Over 3 years	<u>—</u>	<u>—</u>	<u>434</u>	<u>240</u>
Total	<u>22,700</u>	<u>53,160</u>	<u>25,504</u>	<u>17,967</u>

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The movements in provision for impairment of trade receivables are as follows as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	1,652	7,168	7,735	7,713
Impairment losses recognised/(reversed).	5,532	4,257	87	(1,553)
Amount written off as uncollectible	—	(3,690)	(109)	—
Disposal of a subsidiary.	(16)	—	—	—
At end of year/period.	<u>7,168</u>	<u>7,735</u>	<u>7,713</u>	<u>6,160</u>

During the Track Record Period, some of our major customers are state-owned enterprises. So, based on our Directors' relationship with and understanding of our customers, our Directors have no reason to believe that the delay was due to financial difficulties on the part of our customers.

Although we did not grant credit terms to customers under our sales contracts, we in effect granted credit terms to certain customers in view of our trade receivables remaining outstanding and being past due in light of the creditworthiness of our customers and that we aim to maintain a harmonious business relationship with them.

Our management assessed the recoverability of the receivables past due and establishment a provision for impairment based on experience. Provision of impairment of our trade and bills receivables includes individually assessed impairment, we also made general impairment provision in accordance with the doubtful debt policy adopted by us by reference to the aging analysis of the receivables. During the Track Record Period, the individually impairment were amounted to RMB3.9 million, RMB1.0 million, RMB1.0 million and RMB1.0 million, respectively.

The following is an aged analysis of trade receivables, net of provision, at each of the dates indicated:

	As at 31 December				As at 31 March			
	2012		2013		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Within 1 year	211,878	91.4	195,337	79.7	188,327	79.0	172,826	85.9
1 to 2 years	19,798	8.5	38,975	15.9	42,191	17.7	21,925	10.9
2 to 3 years	280	0.1	10,675	4.4	6,928	2.9	5,612	2.8
Over 3 years.	—	—	6	—	852	0.4	854	0.4
	<u>231,956</u>	<u>100.0</u>	<u>244,993</u>	<u>100.0</u>	<u>238,298</u>	<u>100.0</u>	<u>201,217</u>	<u>100.0</u>

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Over 90% of our trade receivables as at 31 December 2012 are aged within 1 year. The percentage decreased to 79.7% and 79.0% as at 31 December 2013 and 31 December 2014 which was mainly due to some customers has not settled the trade receivables on agreed schedules. The trade receivables aged within 1 year was increased to 85.9% as at 31 March 2015 from 79.0% as at 31 December 2014, primarily attribute to the growth of revenue in the second half of 2014 as the result of the adoption of the increasingly stringent emission standard in the PRC. As at 30 June 2015, trade receivables of approximately RMB48.8 million, representing 18.1% approximately of the trade receivables as at 31 March 2015, have been subsequently settled.

Our bills receivables were all aged within six months and neither past due nor impaired. As at 31 March 2015, the Group's bills receivable of RMB10,970,000 were pledged to secure the Group's bills payable.

The following table sets forth trade receivables turnover days for the respective years/periods indicated:

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	Trade receivables turnover days ⁽¹⁾	91.3	146.5	112.8

Note:

- Trade receivables turnover day are based on the average balance trade receivable (net of impairment) divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for relevant period was 365 days for three years ended 31 December 2012, 2013 and 2014 or 90 days for the three months ended 31 March 2015.

Our trade receivables turnover days increased significantly to 146.5 days for the year ended 31 December 2013 from 91.3 days for the year ended 31 December 2012 largely because of the small ending balance for the year ended 31 December 2011. The turnover days increased to 146.5 days for the year ended 31 December 2013 primarily due to the settlement of trade receivables balances by state-owned enterprises (including national power generation groups) were not on timely basis. As our Group escalated efforts in collection of trade receivables, our trade receivables turnover days decreased to 112.8 days for the year ended 31 December 2014. The trade receivable turnover days was increased to 126.3 days for the three months ended 31 March 2015 due to the effect of Chinese new year holiday in the first quarter of 2015, therefore some customers has not settled the trade receivables on agreed schedules.

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Prepayments, deposits and other receivables

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	13,803	26,122	25,511	26,334
Prepayments	24,126	17,488	29,861	32,853
Current portion of prepaid land lease payments	<u>950</u>	<u>950</u>	<u>975</u>	<u>975</u>
	38,879	44,560	56,347	60,162
Impairment	<u>(167)</u>	<u>(305)</u>	<u>(791)</u>	<u>(721)</u>
	<u>38,712</u>	<u>44,255</u>	<u>55,556</u>	<u>59,441</u>

Other receivables mainly represent tendering deposits paid to bidding service companies or project owners which is normally calculated based on a certain percentage of the sum of the tender document. Such sum would be fully refunded to us if we were not eventually selected. The tendering deposits during the Track Record Period amounted to RMB11.8 million, RMB19.7 million, RMB15.6 million and RMB14.6 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. The general increasing trend is due to the fact that more projects were awarded to us through the tendering process.

Prepayments mainly represent our prepayment for raw materials, mainly steels, to our suppliers during the Track Record Period. Our prepayment amounted to RMB24.1 million, RMB17.5 million, RMB29.9 million and RMB32.9 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. Our prepayment for materials is particularly large as at 31 December 2012 as we expected the increase in market demand in 2013 for our integrated atmospheric pollution control solution. As such, our Group purchased more steels at lower prices for future use, thereby accumulating larger ending balance as at 31 December 2012.

Gross amounts due to contract customers

As at 31 December 2012, 2013 and 2014 and 31 March 2015, we have gross amounts due to contract customers of RMB91.4 million, RMB104.3 million, RMB98.9 million and RMB95.6 million, respectively, representing the surplus derived when progress billings exceed the contract costs incurred to date plus recognised profits less recognised losses.

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Trade and bills payables

As at 31 December 2012, 2013 and 2014 and 31 March 2015, we have trade and bills payable of RMB164.6 million, RMB224.2 million, RMB232.8 million and RMB259.8 million, respectively. The following table sets forth the breakdown of trade and bills payable as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	129,574	224,164	232,841	248,792
Bills payables	<u>35,000</u>	<u>—</u>	<u>—</u>	<u>10,970</u>
	<u>164,574</u>	<u>224,164</u>	<u>232,841</u>	<u>259,762</u>

Our trade and bills payable are mainly related to the payment of material costs and payment to service providers and third-party manufactures. Settlement is normally made in accordance with the terms specified in the contracts governing the relevant transactions.

The following table sets out the respective years/periods presented the turnover of our average trade payables:

	Year ended 31 December			Three
	2012	2013	2014	months
				ended
				31 March
	2012	2013	2014	2015
Trade payables turnover days ⁽¹⁾	84.3	125.5	130.6	171.0

Note:

(1) Trade payables turnover day are based on the average of balance trade payables divided by costs of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for relevant period was 365 days for three years ended 31 December 2012, 2013 and 2014 or 90 days for the three months ended 31 March 2015.

Our trade payables turnover days demonstrated an increasing trend from 84.3 days in 2012 to 125.5 days in 2013 and 130.6 days in 2014 and further to 171.0 days for three months ended 31 March 2015, respectively. Our trade payables turnover days was increased significantly for the three months ended 31 March 2015 mainly due to an increase in the average of balance trade payables from RMB228.5 million for the year ended 31 December 2014 to RMB240.8 million for the three months ended 31 March 2015, which was because the effect of Chinese new year holiday in the first quarter of 2015, some customers has not settled the trade receivables on agreed schedules, which in return affect the settlements of our trade payables.

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We strengthened our relationships with the suppliers and liaised for better terms and conditions. We also tightened our working capital management by better utilization of credit terms offered by the suppliers. As a result, our trade payable turnover days were increased for the three years ended 31 December 2014. Generally our practice is to match the cash received by us with the payment to be paid by us in order to better manage our cash flow. However, as described above, certain of our customers may not settle the trade receivables balances on a timely basis due to their long term fund approval processes, our trade payables turnover days were shorter than our trade receivables days in 2012 and 2013. Since 2014, as our Group escalated efforts in collection of trade receivables, our trade payables turnover days was longer than trade receivables turnover days. Going forward, we would further allocate more resources to accelerate the collection of trade receivables and liaise with our suppliers to extend our credit terms in order to better manage our cash flow.

The following table sets out the aging analysis of our trade and bills payables as at the end of each of the respective years/periods indicated based on invoice date:

	As at 31 December		As at 31 March					
	2012 <i>RMB'000</i>	%	2013 <i>RMB'000</i>	%	2014 <i>RMB'000</i>	%	2015 <i>RMB'000</i>	%
Within 3 months . . .	91,597	55.6	162,526	72.5	180,715	77.6	150,300	57.8
3 to 12 months	64,499	39.2	48,383	21.6	42,314	18.2	98,077	37.8
12 to 24 months . . .	8,478	5.2	12,852	5.7	9,795	4.2	9,901	3.8
Over 24 months . . .	—	—	403	0.2	17	0.0	1,484	0.6
	<u>164,574</u>	<u>100.0</u>	<u>224,164</u>	<u>100.0</u>	<u>232,841</u>	<u>100.0</u>	<u>259,762</u>	<u>100.0</u>

Trade payables are non-interest-bearing and have an average credit term of six months. During the Track Record Period, more than 90.0% of our trade and bills payables are aged with one year. Our Company confirmed that there are no trade payables in disputes as at the Latest Practicable Date. As at 30 June 2015, a total of RMB65.9 million, representing 25.4% of our trade and bills payable as at 31 March 2015 were subsequently settled.

The bills payable were secured by the pledge of our Group's time deposits of RMB14.0 million, nil, nil and nil as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. The bills payable as at 31 March 2015 were secured by the pledge of the Group's bills receivable of RMB10,970,000.

FINANCIAL INFORMATION

Advance from customers, other payables and accruals

Below sets forth the breakdown of our advance from customers, other payables and accruals as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	20,363	32,896	74,120	86,495
Other payables	26,497	33,490	57,747	50,838
Accruals	<u>364</u>	<u>282</u>	<u>345</u>	<u>424</u>
	<u>47,224</u>	<u>66,668</u>	<u>132,212</u>	<u>137,757</u>

Our advances from customers amount to RMB20.4 million, RMB32.9 million, RMB74.1 million and RMB86.5 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. They represents the down payment received from our customers before the related work is performed as at the end of each respective reporting period. Normally, a customer is required to make approximately 10% to 30% of the contract value as down payment either upon signing of the contract or after we have provided the delivery schedule, quality assurance plan and project design specifications to our customers. Our advances from customers increased during the Track Record Period as we secured more construction contracts.

Receipts in advance from customers would generally be recorded as current liabilities in our Group's balance sheet when they are received by us in accordance with the terms of the relevant contracts. Such advances would generally be utilized by recognizing revenue in accordance with project progress during the project lifecycle. Depending on the background of the customers, contract terms, credit history, we may request for a higher percentage of advance payment for some large-scale and/or high value projects. An advance payment is beneficial to us as it ensures the initial funding of a project when it commences, while also mitigating the risk of non-recovery of costs or expenses incurred as a project progresses. Finally, our ability to receive advances will also reduce the outstanding contract amount to be collected from project owners at later stages, thus facilitating to shorten the accounts receivables cycle.

Other payables include mainly tax payable other than income tax, salary payable and miscellaneous payables amounting to RMB26.5 million, RMB33.5 million, RMB57.7 million and RMB50.8 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

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Amounts due to/from the holding company, related companies and a related party

As at 31 December 2012, 2013 and 2014 and 31 March 2015, we have amounts due from TGL in the amount of RMB0.4 million, RMB1.3 million, nil and nil; amounts due from related companies in the amount of RMB0.9 million, RMB0.6 million, RMB0.5 million and RMB0.3 million; and amounts due from a related party in the amount of RMB2.3 million, nil, nil and nil. Sets forth below is the breakdown of our amounts due from our holding company, related companies and a related party as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due from the holding company:				
TGL	419	1,289	—	—
Due from related companies:				
Tianjie New Materials	—	111	—	—
Chenyu Lvye	533	—	—	—
Zhejiang Jiasheng	402	195	277	19
Tianjie Special Steel	—	52	204	312
Tianjie General Machinery	—	229	—	—
	<u>935</u>	<u>587</u>	<u>481</u>	<u>331</u>
Due from a related party:				
Wang Xiaoxia	2,316	—	—	—

For details of the nature of amounts due to/from the holding company, related companies and related parties, please refer to section headed “Appendix I — Accountants’ Report — Related Parties Transactions”.

FINANCIAL INFORMATION

As at 31 December 2012, 2013 and 2014 and 31 March 2015, we also had amounts due to TGL in the amounts of RMB11.6 million, RMB1.4 million, RMB1.1 million and RMB6.2 million during the Track Record Period; amounts due to related companies in the amount of RMB7.3 million, RMB7.3 million, RMB6.4 million and RMB7.9 million, and amounts due to related parties in the amounts of RMB0.5 million, RMB1.0 million, RMB0.5 million and nil during the Track Record Period. Below sets forth the breakdown of our amounts due to TGL and our related parties as at the dates indicated:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due to the holding company:				
TGL	<u>11,644</u>	<u>1,379</u>	<u>1,132</u>	<u>6,199</u>
Due to related companies:				
Tianjie Special Steel	307	25	—	—
Tianjie New Materials	2,813	4,630	—	—
Tianjie General Machinery	2,483	1,573	5,802	7,192
諸暨市遠騰物流有限公司 (“Yuanteng Logistics”)	1,693	33	348	431
Chenyu Lvye	—	600	228	228
Zhejiang Jiasheng	<u>—</u>	<u>488</u>	<u>—</u>	<u>—</u>
	<u>7,296</u>	<u>7,349</u>	<u>6,378</u>	<u>7,851</u>
Due to related parties:				
Chen Jianguo	489	415	—	—
Wang Xiaoxia	<u>—</u>	<u>570</u>	<u>538</u>	<u>—</u>
	<u>489</u>	<u>985</u>	<u>538</u>	<u>—</u>

Save for the amounts payable by us to TGL, Zhejiang Jiasheng and Tianjie General Machinery for various transactions as set out in the section headed “Connected Transactions” of this prospectus, which will be settled in accordance with the terms of relevant agreements, all other balances will be fully repaid prior to the Listing.

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RELATED PARTIES TRANSACTIONS

During the Track Record Period, our related party transactions included (i) revenue from construction contracts; (ii) sales of materials; (iii) purchases of materials; (iv) rental expense; (v) provision of transportation services to the holding company; (vi) loans received from the holding company; (vii) repayment of loans from the holding company; (viii) advances from the holding company; (ix) interest expense; (x) electric charge to be paid to the holding company; (xi) service received from related parties; (xii) rental income; (xiii) payment by related parties on behalf of our Group; (xiv) provision of services to other related parties; and (xv) guarantee of our Group's bank loan. With respect to the related party transactions set out in Note 35 to the Accountants' Report, our Directors confirm that these transactions were conducted on normal commercial terms and did not distort our results of operation during the Track Record Period.

Working Capital

Taking into account the financial resources available to us, including internally generated funds, available credit facilities and estimated net proceeds of the Global Offering, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

As at 31 July 2015, being the latest date for the purpose of liquidity disclosure in this prospectus, we had outstanding indebtedness of RMB169.0 million were bank borrowings. As at 31 July 2015, the unused bank facility were RMB3.9 million which are related to our general operations and construction projects.

In addition to the drawdown conditions already satisfied, the drawdown of such unused bank facility is subject to (1) the guarantees in relation thereto being continuing and effective; (2) no event of default or other potential events which would affect the debt owed to the lender have occurred; (3) relevant laws, regulations and authorities not prohibiting the drawdown.

Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges. Our Directors confirm that there is no material change in our indebtedness position since 31 March 2015 up to the date of this document. We intend to continue to finance portions of our construction projects with bank borrowings, as we deem appropriate. Except for such bank borrowings, we currently do not have plans for other material debt financing.

FINANCIAL INFORMATION

Borrowings

All of our borrowings are denominated in RMB. The following table shows our borrowings as at the dates indicated:

	As at 31 December			As at	As at
	2012	2013	2014	31 March 2015	31 July 2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current					
Bank loans					
- Secured	123,000	138,000	173,000	174,043	169,000
	<u>123,000</u>	<u>138,000</u>	<u>173,000</u>	<u>174,043</u>	<u>169,000</u>

As at 31 December 2012, 2013 and 2014, 31 March 2015 and 31 July 2015, bank loans in the amounts of RMB123.0 million, RMB138.0 million, RMB173.0 million, RMB174.0 million and RMB169.0 million were secured by (i) our property, plant and equipment; (ii) investment property; (iii) prepaid land lease payments; and (iv) guarantee provided by TGL, independent third parties, directors and a supervisor. As at the Latest Practicable Date, our Group has obtained written consents in principle from the banks that such guarantees given directly and indirectly by our Controlling Shareholders will be released immediately upon Listing.

Our borrowings as at 31 December 2012, 2013 and 2014, 31 March 2015 and 31 July 2015, being the latest practicable date for purpose of the indebtedness statement, are as follows:

	Effective interest rate (%)	Maturity	As at 31 December			As at	As at
			2012	2013	2014	31 March 2015	31 July 2015
			<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current							
Bank loans — secured	6.96	Within 1 year	63,000	—	21,000	13,000	—
Bank loans — secured	5.88	Within 1 year	30,000	—	—	—	—
Bank loans — secured	6.94	Within 1 year	20,000	—	—	—	—
Bank loans — secured	7.20	Within 1 year	10,000	—	20,000	20,000	—
Bank loans — secured	6.96	Within 1 year	—	78,000	—	—	—
Bank loans — secured	6.30	Within 1 year	—	50,000	50,000	50,000	—
Bank loans — secured	6.60	Within 1 year	—	10,000	40,000	40,000	—
Bank loans — secured	6.44	Within 1 year	—	—	38,000	46,000	28,000
Bank loans — secured	4.80	Within 1 year	—	—	4,000	5,043	—
Bank loans — secured	5.34	Within 1 year	—	—	—	—	35,000
Bank loans — secured	5.36	Within 1 year	—	—	—	—	35,000
Bank loans — secured	5.58	Within 1 year	—	—	—	—	38,000
Bank loans — secured	5.87	Within 1 year	—	—	—	—	12,000
Bank loans — secured	6.16	Within 1 year	—	—	—	—	1,000
Bank loans — secured	5.82-6.42	Within 1 year	—	—	—	—	20,000
			<u>123,000</u>	<u>138,000</u>	<u>173,000</u>	<u>174,043</u>	<u>169,000</u>

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Our Directors confirm that the agreements under our banking borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants during the Track Record Period.

CONTINGENCIES

Contingent Liabilities

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

COMMITMENTS

Capital commitments

The table below sets out details relating to our capital commitments for property, plant and equipment. Our Group had the following capital commitments as at three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Contracted, but not provided for:				
Plant and machinery	<u>—</u>	<u>4,000</u>	<u>593</u>	<u>182</u>
Authorised, but not contracted for:				
Plant and machinery	<u>—</u>	<u>—</u>	<u>9,100</u>	<u>9,100</u>

The above commitments primarily consisted of our commitments for new production facilities in Xinjiang.

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Operating leasing commitments

(a) *As lessor*

We as lessor has leased one of our properties at Paitou Town, Zhuji City of Zhejiang Province, with a gross floor area of approximately 15,000 sq.m., to Tianjie New Materials, a subsidiary of TGL, at an annual rent of RMB1,084,650, under operating lease arrangements, with leases terms for three year. For further details, please refer to the section headed “Connected Transactions” in this prospectus.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, our Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2015</i> <i>RMB'000</i>
Within one year	1,085	1,085	1,085	1,085
In the second to fifth years, inclusive . . .	<u>4,339</u>	<u>3,254</u>	<u>2,169</u>	<u>2,169</u>
	<u>5,424</u>	<u>4,339</u>	<u>3,254</u>	<u>3,254</u>

(b) *As lessee*

Our Group had leased a total of four properties and certain vehicles, from TGL or Zhejiang Jiasheng, under operating lease arrangements.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, our Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2015</i> <i>RMB'000</i>
Within one year	6,031	4,094	3,684	3,684
In the second to fifth years, inclusive . . .	13,080	11,303	8,035	8,035
After five years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>19,111</u>	<u>15,397</u>	<u>11,719</u>	<u>11,719</u>

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CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures were used mainly for the purchase of property, plant and equipments. Our capital expenditures were RMB3.2 million, RMB7.3 million, RMB16.1 million and RMB0.6 million for the year ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015.

DISTRIBUTABLE RESERVES

As at 31 March 2015, the aggregate amount of reserve available for distribution amounted to approximately RMB133.5 million.

LISTING EXPENSES

We will incur listing expenses in connection with the Listing, which include professional fees, underwriting commissions and other fees. Listing expenses to be borne by our Group are estimated to be approximately HK\$44.5 million (based on the mid-point of our indicative price range for the Global Offering). The listing expenses of HK\$13.3 million incurred during the Track Record Period was accounted for as other receivables that would have been charged against equity upon the Listing. After the Track Record Period, we expect to incur listing expenses amounting to approximately HK\$31.2 million, among which HK\$3.7 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income and HK\$27.5 million is expected to be capitalized as other receivables that would have been charged against equity upon Listing. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from the estimate. Our Directors do not expect such expenses to have a material adverse impact on our results of operations for the year ending 31 December 2015.

KEY FINANCIAL RATIOS

	As at 31 December			As at
	2012	2013	2014	31 March 2015
Current ratio	1.3	1.2	1.2	1.2
Gearing ratio (%)	61.4	56.7	70.5	65.8
Quick ratio	1.2	1.2	1.1	1.1
Return on equity (%)	10.9	11.9	30.8	N/A
Return on assets (%)	3.2	3.3	8.2	N/A
	Year ended 31 December			Three months ended
	2012	2013	2014	31 March
				2014
				2015
				<i>(Unaudited)</i>
Interest coverage	3.6	4.6	11.0	5.6
				8.4

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Current ratio

Current ratio is calculated by dividing current assets by current liabilities as at the end of each period during the Track Record Period. Our current ratio remained stable at around 1.2 and 1.3 during the Track Record Period.

Gearing ratio

Gearing ratio is calculated by dividing total bank loans less cash and cash equivalents by total equity as at the end of each period during the Track Record Period. Total debt represents interest-bearing bank borrowings. Our gearing ratio decreased from 61.4% as at 31 December 2012 to 56.7% as at 31 December 2013 mainly due to increase in total equity as a result of increase in profit in 2013. The gearing ratio increased from 56.7% as at 31 December 2013 to 70.5% as at 31 December 2014 mainly due to increase in bank borrowing for our newly commenced projects in 2014. Our gearing ratio decreased from 70.5% as at 31 December 2014 to 65.8% as at 31 March 2015, primarily due to increase in the amount of equity attributable to the equity holders of our Company resulting from an increase in our profit for the three-month period.

Quick ratio

Quick ratio is calculated by dividing current assets less inventories by current liabilities as at the end of each reporting period. After deducting inventories, our quick ratio remained stable at around 1.1 and 1.2 during the Track Record Period.

Return on equity

Our return on equity is calculated by dividing the profit for the year from continuing operations attributable to owners of the parent by equity attributable to owners of the parent issued capital as at the end of each reporting period and expressed as percentage. As such, return on equity as at 31 March 2015 was incomparable to that for the three years ended 31 December 2012, 2013 and 2014. Our return on equity increased from 11.0% as at 31 December 2012 to 11.9% as at 31 December 2013, which was mainly due to the combined effect of the following: (i) a 23.9% increase in profit for the year from continuing operations from RMB20.9 million in 2012 to RMB25.8 million in 2013; and (ii) increase of 13.6% in total equity from RMB190.7 million in 2012 to RMB216.6 million in 2013 as a result of the increasing reserves.

Our return on equity increased from 11.9% as at 31 December 2013 to 30.8% as at 31 December 2014. Such increase was mainly due to (i) significantly increase in profit of 187.6% for the year from RMB25.8 million in 2013 to RMB74.2 million in 2014; and (ii) slightly increase in total equity of 11.2% from RMB216.6 million in 2013 to RMB240.8 million in 2014.

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Return on assets

Our return on assets is calculated by dividing the profit for the year from continuing operations by total assets as at the end of each reporting period and expressed as a percentage. As such, return on assets as at 31 March 2015 was incomparable to that for the three years ended 31 December 2012, 2013 and 2014. Our return on assets was 3.2%, 3.3% and 8.2% as at 31 December 2012, 2013 and 2014 respectively. Our return on assets reflected similar trend with that of return of equity. Return on assets increased from 3.2% as at 31 December 2012 to 3.3% as at 31 December 2013 primarily because (i) increase in profit for the year from continuing operations from RMB20.9 million in 2012 to RMB25.8 million in 2013; and (ii) increase in total assets from RMB649.2 million in 2012 to RMB775.8 million in 2013.

Return on assets increased from 3.3% as at 31 December 2013 to 8.2% as at 31 December 2014 primarily due to (i) significantly increase in profit of 187.6% for the year from RMB25.8 million in 2013 to RMB74.2 million in 2014; and (ii) a relatively low increase in total assets of 17.2% from RMB775.8 million in 2013 to RMB909.2 million in 2014.

Interest Coverage

Our interest coverage is calculated by dividing the profit from continuing operations before adjusted finance cost and tax by the adjusted finance costs for each reporting period.

Our interest coverage increased significantly from 3.6 as at 31 December 2012 to 11.0 as at 31 December 2014 as a result of (i) the significantly change in profit from continuing operations for the year before finance cost and income tax from RMB37.9 million in 2012 to RMB44.9 million in 2013 and further increase to RMB110.1 million in 2014 and (ii) the slightly change in finance costs from RMB10.6 million in 2012 to RMB9.8 million in 2013 and further to 10.0 million in 2014.

Our interest coverage increased significantly from 5.6 for the three months ended 31 March 2014 to 8.4 for the three months ended 31 March 2015 primarily attributable to (i) the significant change in profit from continuing operations for the period before finance cost and income tax from RMB12.2 million for the three months ended 31 March 2014 to RMB23.2 million for the three months ended 31 March 2015 and (ii) the slightly change in finance costs from RMB2.2 million for the three months ended 31 March 2014 to RMB2.8 million for the three months ended 31 March 2015.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

Our Group's exposure to the risk of changes in market interest rates relates primarily to our interest-bearing bank and other borrowings. Some of these interest-bearing bank and other borrowings were obtained at floating interest rates, which have exposed our Group to interest rate risk. The interest rates and terms of repayment of borrowings are disclosed in the section headed "Indebtedness" above.

FINANCIAL INFORMATION

Foreign currency risk

Our Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 2.5%, 0.7%, 3.2% and 5.0% of our sales for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively, were denominated in currencies other than the functional currencies of the operating units making the sale. At present, we do not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and our Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

Credit risk

Our Group trades only with recognised and creditworthy third parties. It is the our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, we do not offer credit terms without the specific approval of the Chairman.

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, amounts due from the holding company and related parties, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since our Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within our Group as the customer bases of our trade receivables are widely dispersed.

Liquidity risk

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings to meet its working capital requirements.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

DIVIDEND POLICY

During the Track Record Period, we declared cash dividends of RMB204,000, nil, RMB50,000,000 and nil for the years ended 31 December 2012, 2013 and 2014 and three months ended 31 March 2015, respectively. Such dividends were fully paid as at the Latest Practicable Date by our internal resources.

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. We currently do not have any specific dividend policy. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratio, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board deems relevant.

Subject to the PRC Company Law and our Articles of Association, our Board may declare dividend for any year subject to the approval by our Shareholders and, if it decides to declare a dividend, how much dividend to declare. Our ability to declare future dividends will depend on the availability of dividends, if any, we receive from our PRC subsidiaries and restrictions on distribution by our subsidiaries, and in the absence of any circumstances which might reduce the amount of available distributable profits. In particular, under applicable PRC laws and our Articles of Association, we can only distribute dividends out of our after-tax profit after the following allocations have been made: (i) recovery of accumulated losses, if any; (ii) allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit (as determined under PRC GAAP), unless the common reserve fund reaches 50% of our registered capital or above; and (iii) (if any) allocations to discretionary common reserve fund, subject to our Shareholders' approval at the Shareholders meeting.

However, there is no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued our property interests as at 30 June 2015 and is of the opinion that the aggregate value of the property in which we had interest at such date was RMB76.0 million. The full text of the letter, summary of valuation and valuation certificates with regard to our property interests are set out in the section headed "Property Valuation" in Appendix III to this prospectus.

FINANCIAL INFORMATION

Property valuation reconciliation

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in the audited consolidated financial information as at 31 March 2015 as set out in Appendix I to this prospectus with the valuation of these properties as at 30 June 2015 as set out in Appendix III to this prospectus.

(RMB'000)

Net book value of the following properties as at 31 March 2015	
— Buildings	20,434
— Investment property	17,231
— Prepaid land lease	<u>12,281</u>
Add: Additions during the period from 31 March 2015 to 30 June 2015	420
Less: Disposal depreciation and amortization during the period from 31 March 2015 to 30 June 2015	<u>745</u>
Net book value of the properties as at 30 June 2015	49,621
Net valuation surplus	<u>26,339</u>
Market value of properties as at 30 June 2015 as set out in the Property Valuation Report in Appendix III to this prospectus	<u><u>75,960</u></u>

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As at 31 March 2015, we had in total 87 outstanding projects (including 51 ongoing projects and 36 uncommenced projects) with total contract sum of approximately RMB2,339.1 million, among which an amount of approximately RMB576.4 million had been recognised as revenue. Accordingly, the aggregate value of the projects in our backlog (including applicable VAT) as at 31 March 2015 amounted to approximately RMB1,669.4 million. In addition, subsequent to 31 March 2015 and up to the Latest Practicable Date, we have entered into 44 new contracts, with initial contract sum of approximately RMB455.9 million.

We had not experienced any material change in general business condition during the period between 1 April 2015 and the date of this prospectus in comparison with the same period in 2014. Our Directors confirm that since 31 March 2015 and up to the date of this prospectus, there had not, as far as we are aware, been any material adverse changes in our business, financial, operational or trading position or general economic and market conditions in the PRC or the industry in which we operate that would materially and adversely affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Company which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 March 2015. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Company had the Global Offering been completed as of 31 March 2015 or any further dates.

	Consolidated net tangible assets attributable to equity holders of our Company as of 31 March 2015 (RMB'000)⁽¹⁾	Estimated net proceeds from the Global Offering (RMB'000)⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of our Company (RMB'000)	Unaudited pro forma adjusted consolidated net tangible assets per Share (RMB)⁽³⁾ (HK\$)⁽³⁾	
Based on an Offer Price of HK\$10.9 per H Share	255,783.0	269,641.7	525,424.7	3.89	4.90
Based on an Offer Price of HK\$15.5 per H Share	255,783.0	393,718.8	649,501.8	4.81	6.06

Notes:

- (1) As of 31 March 2015, our consolidated net tangible assets attributable to equity holders of our Company was equal to our consolidated net assets attributable to equity holders of our Company less the intangible assets.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$10.9 per H Share and HK\$15.5 per H Share, respectively, assuming no exercise of the Over-allotment Option, after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is based on a total of 135,000,000 Shares expected to be in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option). The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at the PBOC rate of approximately RMB0.8 to HK\$1 prevailing on 31 March 2015.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Our Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$13.2 per H Share (being the mid-point of the estimated price range), our Directors estimate that the net proceeds to us from the Global Offering will be approximately HK\$417.5 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Global Offering. Our Directors presently intend to use the net proceeds from the Global Offering as follows:

- approximately HK\$109.0 million, or 26.1%, of the net proceeds is expected to be used for acquisition of potential suitable companies and business that we believe can facilitate our expansion strategy, such as companies with substantial research and development, manufacturing and sales capabilities, and companies that allow us to access new markets and establish local customer relationships to complement our existing business. As at the Latest Practicable Date, we had not entered into any letter of intent or agreement for such acquisition nor identified any definite acquisition target;
- approximately HK\$37.6 million, or 9.0%, of the net proceeds is expected to be used for the construction, acquisition of machinery and recruitment of staff for our new production facilities in Turpan City, Xinjiang Province. A portion of the new production facilities in Xinjiang Province which comprises a single storey workshop with gross floor area of approximately 11,700 sq.m. is under construction and has commenced trial production in July 2015, while the commercial production is expected to commence in the second half of 2015. Construction of the remaining portion of the above production facilities is expected to commence in the second half of 2015. For further details, please refer to the section headed “Business — Production” starting on page 144 in this prospectus;
- approximately HK\$33.4 million, or 8.0%, of the net proceeds is expected to be used for enhancing our research and development capabilities, including:
 - (i) approximately HK\$8.8 million, or 2.1%, to be used for acquisition of research equipment;
 - (ii) approximately HK\$1.8 million, or 0.4%, to be used for recruitment of overseas technical expert;
 - (iii) approximately HK\$3.3 million, or 0.8%, to be used for collaboration with academic institutions and/or international institutions;
 - (iv) approximately HK\$2.1 million, or 0.5%, to be used for research and development of ancillary systems of particulate control systems, such as ash conveying system;

FUTURE PLANS AND USE OF PROCEEDS

- (v) approximately HK\$14.8 million, or 3.5%, to be used for acquisition of technologies for application in atmospheric pollution control systems as follows:
- approximately HK\$7.0 million, or 1.7%, to be used for acquisition of energy efficient and control technology for application in precipitators;
 - approximately HK\$2.6 million, or 0.6%, to be used for acquisition of technology and/or patent rights for application in bag filter precipitators and electrostatic-bag composite precipitators;
 - approximately HK\$2.6 million, or 0.6%, to be used for acquisition of desulfurisation and denitrification technology (including the reagent and reducing agent for used in the desulfurisation and denitrification);
 - approximately HK\$2.6 million, or 0.6%, to be used for acquisition of heavy metal removal technology; and
- (vi) approximately HK\$2.6 million, or 0.6%, to be used for leasing new premises for our research, development and design centre.

Save for the proceeds for leasing new premises for our research, development and design centre, the majority of this portion of proceeds is expected to be utilised by end of year 2016;

- approximately HK\$6.3 million, or 1.5%, of the net proceeds is expected to be used for sales and marketing activities to enhance our brand recognition in the PRC and overseas. To this end, we intend to expand our sales and marketing team, conduct more marketing activities to promote our brand through various means such as industry magazines, and participate in industry related exhibitions and fairs in both PRC and overseas;
- approximately HK\$81.8 million, or 19.6%, of the net proceeds for the purchase of raw materials for our new projects;
- approximately HK\$109.0 million, or 26.1%, of the net proceeds is expected to be used for the repayment of existing bank borrowings, with interest rate in the range of 5.34% to 6.42% and mature in second half of 2015 and first half of 2016, which were used for working capital; and
- approximately HK\$40.4 million, or 9.7%, of the net proceeds for working capital and other general corporate purposes.

To the extent the net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is set at the high-end of the proposed Offer Price range, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will increase by approximately HK\$78.1 million. If the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will decrease by approximately HK\$78.1 million.

Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK\$13.2 per Offer Share, being the mid-point of the indicative range of Offer Price), we will receive additional net proceeds of approximately HK\$67.2 million.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, we presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong or the PRC.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into an agreement with one cornerstone investor (the “**Cornerstone Investor**”) who has agreed to subscribe at the Offer Price such number of Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) that may be subscribed for with an aggregate amount of approximately HK\$20 million (the “**Cornerstone Placing**”). Assuming an Offer Price of HK\$10.9, HK\$13.2 and HK\$15.5 (being the minimum, mid-point and maximum of the indicative Offer Price range set forth in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investor will be approximately 1,834,800, 1,515,000 and 1,290,200 H Shares, respectively (the “**Cornerstone Investor’s Shares**”), representing approximately (i) 5.24%, 4.33% and 3.69% of our Offer Shares (assuming that the Over-allotment Option is not exercised); or (ii) 1.36%, 1.12% and 0.96% of our Shares in issue immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the announcement of results of allocations to be issued by us on or about Friday, 9 October 2015.

To the best knowledge of our Directors, each of the Cornerstone Investor and its ultimate beneficial owners is an Independent Third Party, and not an existing Shareholder of our Company. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of our Company. No special rights have been granted to the Cornerstone Investor as part of the Cornerstone Placing. The Cornerstone Investor’s Shares will rank pari passu with the fully paid H Shares then in issue and will be counted towards the public float of our Shares under Rule 8.24 of the Listing Rules.

Subject to the fulfillment of the conditions precedent as disclosed below, the Cornerstone Investor shall subscribe the Cornerstone Investor’s Shares pursuant to, and as part of, the International Placing. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the relevant cornerstone investment agreement. The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any re-allocation of the Offer Shares between the International Placing and Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the section headed “Structure of Global Offering — Conditions of The Hong Kong Public Offer”.

Cornerstone Investor	Investment amount <i>(HK\$ million)</i>	Number of Offer Shares subscribed ⁽¹⁾	Approximate percentage of total number of Offer Shares initially offered under the Global Offering (%) ⁽²⁾	Approximate percentage of total number of Shares in issue following the completion of the Global Offering (%) ⁽²⁾
Kylin International (HK) Co., Limited (凱銀國際(香港)有限公司)	20.0	1,515,000	4.33	1.12

Notes:

- (1) Based on the Offer Price of HK\$13.2 (being the mid-point of the indicative Offer Price range), rounded down to the nearest whole board lot of 200 H Shares.
- (2) Assuming the Over-allotment Option is not exercised.

CORNERSTONE INVESTOR

OUR CORNERSTONE INVESTOR

Kylin International (HK) Co., Limited (凱銀國際(香港)有限公司) (“**Kylin (HK)**”) is a limited company established in the Hong Kong on 1 August 2011. Kylin (HK) is ultimately owned by certain individuals who are Independent Third Parties. Kylin (HK) is principally engaged in the business of funds and assets management services and is a licensed corporation under the SFO permitted to carry out type 9 (asset management) regulated activity.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional (in accordance with their respective terms or as subsequently varied by agreement of the relevant parties thereto) by no later than the time and the date specified therein;
- (ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Offer Shares and such approval or permission not having been revoked prior to the commencement of dealing in the H Shares on the Stock Exchange; and
- (iv) no statute, rule or regulation shall have been enacted or promulgated by any governmental authority of any relevant jurisdiction which prohibits the consummation of the investment and there shall be no order or injunction of a court of competent and relevant jurisdiction in effect precluding or prohibiting consummation of the investment.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, without the prior written consent of each of our Company and the Sole Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date, (i) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of its Cornerstone Investor’s Shares or any interest therein or any voting right or any other right attaching thereto; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction directly with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above, whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. The

CORNERSTONE INVESTOR

Cornerstone Investor may transfer its Shares so subscribed for in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

After the expiry of the aforesaid lock-up period, the Cornerstone Investor will be free to dispose of any of its Shares and it shall not knowingly dispose of any of its Shares to create a disorderly or false market and is otherwise in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the Listing Rules and such other applicable laws.

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HONG KONG UNDERWRITERS

China Everbright Securities (HK) Limited

Convoy Investment Services Limited

BMI Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our H Shares to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe for, or procure subscribers to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Offer Shares are fully underwritten pursuant to the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers to subscribe for, the Hong Kong Offer Shares are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) given to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur or come into force:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the reasonable opinion of the Sole

UNDERWRITING

Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

- (ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong, the PRC or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or
- (iii) without prejudice to sub-paragraph (i) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such; or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the PRC or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC or any other jurisdiction(s) relevant to our Company and our subsidiaries; or
- (viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal,

UNDERWRITING

provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or Director; or

- (ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group; or
 - (x) and any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), (i) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or impracticable to proceed with the Global Offering; or (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.
- (b) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its reasonable opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors under the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its reasonable opinion to be material; or
- (c) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any breach on the part of our Company or any of the covenantors of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its reasonable opinion to be material; or
- (d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Global Coordinator (for itself and on behalf of the Hong

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Kong Underwriters), the Stock Exchange, the legal adviser to the Sole Global Coordinator and the Underwriters and any other parties involved in the Global Offering which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

- (e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack was to be issued at that time, constitute, in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), a material omission of such information; or
- (f) there is any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is material; or
- (g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Offer Shares under the Global Offering is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (j) there comes to the notice of the Sole Global Coordinator or any of the Underwriters any information, matter or event which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):
 - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form H) given by any Directors pursuant to the Global Offering; or
 - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

UNDERWRITING

Undertakings to the Stock Exchange

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Global Offering (including the Over-allotment Option), no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Global Offering (including the Over-allotment Option), they will not at any time:

- (a) during the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “First Six-month Period”), he/she/it shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or
- (b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the “Second Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

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Undertakings pursuant to the Hong Kong Underwriting Agreement

Each of the Controlling Shareholders has given an undertaking to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its close associates will:

- (i) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six Month Period**”), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (ii) he, she or it will not, during the period of six months commencing on the date on which the First Six Month Period expires and including, the date that is six months after the end of the First Six Month Period (the “**Second Six Month Period**”), enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he, she or it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company or cease to hold,

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directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him, her or it and/or any of his, her or its close associate which owns such Shares or interests as aforesaid; and

- (iii) until the expiry of the Second Six Month Period, in the event that he, she or it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the First Six Month Period, our Company undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters not to, and to procure each member of our Group not to, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of

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such members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company, our Controlling Shareholders and executive Directors undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

Each of our Company, our Controlling Shareholders and executive Directors undertakes to and covenants with the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), no company in our Group will during the First Six Month Period purchase any securities of our Company.

Without prejudice to the above, each of our Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that:

- (i) save with the prior written consent from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he, she or it shall not and shall procure that none of his, her or its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him, her or it or any of their close associates or in which he, she or it or any of their close associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by him, her or it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and
- (ii) in the event that notification is given to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), when he, she or it or any of their close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, he, she or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the “**Mortgagee**”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he, she or it or any of their close associates is aware of or receives indications

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or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in (i) above, he, she or it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that our Company shall forthwith inform the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after our Company has been informed of the matters referred to in paragraph (ii) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

The International Placing

In connection with the International Placing, it is expected that our Company and the International Underwriters will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, our Company will offer our International Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the International Underwriting Agreement and the placing documents. It is expected that the International Underwriters will agree to severally underwrite for our International Placing Shares.

Commissions and expenses

The Underwriters will receive a commission of 3.0% of the aggregate Offer Price of the Offer Shares. In consideration of the Sole Sponsor's services in sponsoring the Global Offering, the Sole Sponsor will receive a financial advisory fee. Such fee and commission, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK\$44.5 million in aggregate (assuming an Offer Price of HK\$13.2 per Offer Share (being the midpoint of the indicative Offer Price of HK\$10.9 to HK\$15.5 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

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INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

SOLE GLOBAL COORDINATOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Global Coordinator and the Hong Kong Underwriters will receive an underwriting commission. Particulars of these commissions and expenses are set forth in “Commissions and expenses” above in this section.

Save for their interests and obligations under the Underwriting Agreements, none of the Sole Global Coordinator and the Hong Kong Underwriters is interested legally or beneficially in shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group nor any interest in the Global Offering.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be Wednesday, 30 September 2015, and in any event, not later than Thursday, 8 October 2015.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$15.5 per Offer Share and is expected to be not less than HK\$10.9 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause there to be published on our Company's website at www.tengy.com and the Stock Exchange's website at www.hkexnews.hk notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published in The Standard (in English) and Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed and will lapse.

Announcement of the final Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published on Friday, 9 October 2015.

STRUCTURE OF THE GLOBAL OFFERING

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$15.5 per Offer Share and is expected to be not less than HK\$10.9 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK\$15.5 per Offer Share and 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK\$3,131.24 is payable for every board lot of 200 H Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$15.5 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. **Listing**

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the H Shares.

2. **Underwriting Agreements**

- (i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and
- (ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

3. **Price determination**

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

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If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.tengy.com on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

Global Offering

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of initially 35,000,000 Offer Shares will be made available under the Global Offering, of which 31,500,000 International Placing Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 3,500,000 Hong Kong Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

Our Company is expected to offer initially 31,500,000 International Placing Shares (subject to re-allocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK\$15.5 per Share plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy of the Offer Price.

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It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be effected in accordance with the “book-building” process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to acquire further H Shares and/or hold or sell the H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake and confirm in the Application Form that he/she has not applied for H Shares under the Hong Kong Public Offer.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive H Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive H Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in “Conditions of the Hong Kong Public Offer” in this section.

Hong Kong Public Offer

Our Company is initially offering 3,500,000 Hong Kong Offer Shares for subscription (subject to re-allocation) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Global Offering. Subject to the re-allocation of H Shares between (i) the International Placing and (ii) the Hong Kong Public Offer as mentioned below, the number of the Hong Kong Offer Shares will represent approximately 2.6% of our Company’s enlarged issued share capital immediately after completion of the Global Offering (without taking into account the Over-allotment Option). The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK\$15.5 per Offer Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing, such applicant's application under the Hong Kong Public Offer is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: 1,750,000 H Shares in pool A and 1,750,000 H Shares in pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple or suspected multiple applications within either pool or between pools and any application for more than 1,750,000 Hong Kong Offer Shares are liable to be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

- (a) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offer will be increased to 10,500,000 Offer Shares, representing 30% of the Offer Shares;

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- (b) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Offer Shares available for subscription under the Hong Kong Public Offer will be increased to 14,000,000 Offer Shares, representing 40% of the Offer Shares; and
- (c) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Offer Shares available for subscription under the Hong Kong Public Offer will be increased to 17,500,000 Offer Shares, representing 50% of the Offer Shares.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be reduced correspondingly, in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may, at its sole and absolute discretion, reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy in whole or in part the valid applications in the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

RESTRICTIONS ON THE OFFER SHARES

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

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Sole Global Coordinator the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Sole Global Coordinator to allot and issue up to and not more than 5,250,000 additional new H Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. Such over-allocations in the International Placing may also be covered by delayed delivery of H Shares to the Cornerstone Investor and/or the relevant placees, provided that such delayed delivery has been agreed in advance by the relevant parties. If the Over-allotment Option is exercised in full, the additional 5,250,000 new H Shares to be issued by our Company will represent approximately 3.74% of our Company's enlarged issued share capital immediately after

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completion of the Global Offering and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

The Sole Global Coordinator has been appointed by us as the stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Sole Global Coordinator, as stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Sole Global Coordinator, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilisation activity is required to be brought to an end within 30 days from the last date for lodging application under the Hong Kong Public Offer. The number of H Shares that may be over-allocated will not be greater than the number of H Shares which may be made available upon exercise of the Over-allotment Option, being 5,250,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Subject to and under the Securities and Futures (Price Stabilising) Rules, the Sole Global Coordinator, as stabilising manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of the H Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the H Shares;
- (ii) in connection with any action described in paragraph (i) above:
 - (a) (1) over-allocate our H Shares; or

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- (2) sell or agree to sell the H Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our H Shares;
- (b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;
- (c) sell or agree to sell any H Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and
- (d) offer or attempt to do anything described in subparagraphs (a)(2), (b) or (c) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Sole Global Coordinator, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator, its affiliates or any person acting for it will maintain such a position;
- liquidation of any such long position by the Sole Global Coordinator, its affiliates or any person acting for it may have an adverse impact on the market price of the H Shares;
- no stabilising action can be taken to support the price of the H Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Friday, 30 October 2015, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of any security (including the H Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

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COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 12 October 2015. H Shares will be traded in board lots of 200 H Shares each.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the H Shares to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the H Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interest. Details of the Global Offering will be announced in accordance the Listing Rules.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form Service** at www.hkeipo.hk; or
- electronically cause **HKSCC** Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Sole Global Coordinator, the **HK eIPO White Form Service** Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (unless permitted by the relevant rules and regulations).

If you apply online through the **HK eIPO White Form Service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form Service** for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 24 September 2015 until 12:00 noon on Wednesday, 30 September 2015 from:

- (1) any of the following offices of the Hong Kong Underwriters:

China Everbright Securities (HK) Limited

36/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Convoy Investment Services Limited

24C, @CONVOY
169 Electric Road
North Point, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

BMI Securities Limited

Units 909-916
9/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

(2) or any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	Shops 3 and 4 on G/F., 981A-981F King's Road, Chung Hing Mansion, Quarry Bay
	Kowloon	Mongkok Sub-Branch
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Tsuen Wan Sub-Branch	Shop G9B and G10-11 on G/F., Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 24 September 2015 until 12:00 noon on Wednesday, 30 September 2015 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Zhejiang Tengy Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 24 September 2015 — 9:00 a.m. to 5:00 p.m.
Friday, 25 September 2015 — 9:00 a.m. to 5:00 p.m.
Saturday, 26 September 2015 — 9:00 a.m. to 1:00 p.m.
Tuesday, 29 September 2015 — 9:00 a.m. to 5:00 p.m.
Wednesday, 30 September 2015 — 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 30 September 2015, the last application day or such later time as described in “Effect of bad weather on the opening of the applications lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form Service**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our H Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you would have to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form Service** by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form Service** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form Service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form Service** Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form Service**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form Service** at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Thursday, 24 September 2015 until 11:30 a.m., Wednesday, 30 September 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Wednesday, 30 September 2015 or such later time under the “Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form Service** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form Service** or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the H Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the electronic application instructions are given for your own benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the H Share Registrar, the receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;
- agree with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each shareholder of the Company, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association of the Company;
- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):
 - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and
- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, 24 September 2015 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 25 September 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 26 September 2015 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Tuesday, 29 September 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 30 September 2015 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, 24 September 2015 until 12:00 noon on Wednesday, 30 September 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 30 September 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the H Share Registrar, the receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form Service** is also only a facility provided by the **HK eIPO White Form Service** Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form Service** will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 30 September 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form Service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form Service** in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Determination of the Offer Price” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 a.m. on Wednesday, 30 September 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 30 September 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Friday, 9 October 2015 in The Standard (in English) and The Hong Kong Economic Times (in Chinese) on our Company’s website at www.tengy.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.tengy.com and the Stock Exchange's website at www.hkexnews.hk by no later than Friday, 9 October 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 9 October 2015 to 12:00 midnight on Thursday, 15 October 2015;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 9 October 2015 to Wednesday, 14 October 2015 (excluding Saturday and Sunday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 9 October 2015 to Tuesday, 13 October 2015 at all the receiving bank's designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through **HK eIPO White Form Service**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40

HOW TO APPLY FOR HONG KONG OFFER SHARES

of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your electronic application instructions through the **HK eIPO White Form Service** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$15.5 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 9 October 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** application Forms, H Share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or around Friday, 9 October 2015. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

H Share certificates will only become valid at 8:00 a.m. on Monday, 12 October 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 October 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Friday, 9 October 2015, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 9 October 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 9 October 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 October 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form Service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 October 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 9 October 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 9 October 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Friday, 9 October 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 October 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 9 October 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 9 October 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24 September 2015

The Directors
Zhejiang Tengy Environmental Technology Co., Ltd
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information of Zhejiang Tengy Environmental Technology Co., Ltd (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2012, 2013 and 2014 and 31 March 2015, together with the notes thereto (the “Financial Information”), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the three months ended 31 March 2014 (the “Interim Comparative Information”), for inclusion in the prospectus of the Company dated 24 September 2015 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was established as a joint stock company with limited liability on 28 December 2009 in the People’s Republic of China (the “PRC”).

As at the date of this report, the Company has direct interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012, 2013 and 2014 and 31 March 2015 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Three months ended 31 March	
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000	2015 RMB'000
<i>(Unaudited)</i>						
CONTINUING OPERATIONS						
REVENUE	5	553,543	594,058	781,905	137,471	156,645
Cost of sales		(488,916)	(514,476)	(638,746)	(117,969)	(126,769)
Gross profit		64,627	79,582	143,159	19,502	29,876
Other income and gains	5	4,628	1,868	3,022	362	380
Selling and distribution expenses		(12,547)	(15,381)	(16,176)	(3,737)	(3,591)
Administrative expenses		(16,041)	(20,125)	(17,621)	(3,672)	(3,204)
Other expenses		(2,769)	(1,078)	(2,235)	(239)	(239)
Finance costs	7	(10,577)	(9,840)	(9,981)	(2,171)	(2,767)
PROFIT BEFORE TAX FROM						
CONTINUING OPERATIONS	6	27,321	35,026	100,168	10,045	20,455
Income tax	10	(6,426)	(9,193)	(25,979)	(4,311)	(5,315)
PROFIT FOR THE YEAR/PERIOD						
FROM CONTINUING OPERATIONS		20,895	25,833	74,189	5,734	15,140
DISCONTINUED OPERATION						
Profit for the year/period from a discontinued operation	12	5,606	—	—	—	—
PROFIT AND TOTAL						
COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>26,501</u>	<u>25,833</u>	<u>74,189</u>	<u>5,734</u>	<u>15,140</u>
Attributable to:						
Owners of the parent	11	<u>26,501</u>	<u>25,833</u>	<u>74,189</u>	<u>5,734</u>	<u>15,140</u>
EARNINGS PER SHARE						
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)						
- For profit for the year/period	14	<u>0.27</u>	<u>0.26</u>	<u>0.74</u>	<u>0.06</u>	<u>0.15</u>
- For profit from continuing operations	14	<u>0.27</u>	<u>0.26</u>	<u>0.74</u>	<u>0.06</u>	<u>0.15</u>

Details of the dividends payable and proposed for the Relevant Periods are disclosed in note 13 to the Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2012	2013	2014	31 March
		RMB'000	RMB'000	RMB'000	2015
				RMB'000	
NON-CURRENT ASSETS					
Property, plant and equipment	15	24,713	28,997	41,511	41,290
Investment property	16	19,380	18,425	17,470	17,231
Prepaid land lease payments	17	13,232	12,282	12,524	12,281
Intangible assets	18	103	90	79	119
Deferred tax assets	28	3,863	7,131	14,791	14,401
Pledged deposits	24	14,098	21,304	42,652	47,865
Total non-current assets		75,389	88,229	129,027	133,187
CURRENT ASSETS					
Inventories	20	38,847	43,808	32,877	37,041
Gross amounts due from contract customers	21	187,395	231,462	377,303	437,539
Trade and bills receivables	22	271,376	330,015	294,505	269,536
Prepayments, deposits and other receivables	23	38,712	44,255	55,556	59,441
Due from the holding company	35(c)	419	1,289	—	—
Due from related companies	35(c)	935	587	481	331
Due from a related party	35(c)	2,316	—	—	—
Pledged deposits	24	27,885	20,984	16,188	14,124
Cash and cash equivalents	24	5,912	15,168	3,285	5,728
Total current assets		573,797	687,568	780,195	823,740

APPENDIX I**ACCOUNTANTS' REPORT**

		As at 31 December			As at
	Notes	2012	2013	2014	31 March
		RMB'000	RMB'000	RMB'000	2015
					RMB'000
CURRENT LIABILITIES					
Gross amounts due to contract					
customers	21	91,439	104,273	98,932	95,563
Trade and bills payables	25	164,574	224,164	232,841	259,762
Advances from customers, other					
payables and accruals	26	47,224	66,668	132,212	137,757
Interest-bearing bank borrowings	27	123,000	138,000	173,000	174,043
Due to the holding company	35(c)	11,644	1,379	1,132	6,199
Due to related companies	35(c)	7,296	7,349	6,378	7,851
Due to related parties	35(c)	489	985	538	—
Tax payable		12,780	16,406	23,427	19,850
		<u>458,446</u>	<u>559,224</u>	<u>668,460</u>	<u>701,025</u>
Total current liabilities					
NET CURRENT ASSETS					
		<u>115,351</u>	<u>128,344</u>	<u>111,735</u>	<u>122,715</u>
TOTAL ASSETS LESS CURRENT					
LIABILITIES					
		<u>190,740</u>	<u>216,573</u>	<u>240,762</u>	<u>255,902</u>
Net assets					
		<u>190,740</u>	<u>216,573</u>	<u>240,762</u>	<u>255,902</u>
EQUITY					
Equity attributable to owners of the					
parent					
Share capital	29	100,000	100,000	100,000	100,000
Reserves	30	90,740	116,573	140,762	155,902
		<u>190,740</u>	<u>216,573</u>	<u>240,762</u>	<u>255,902</u>
Total equity					

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					Total equity RMB'000
	Share capital RMB'000	Capital reserve* RMB'000	Statutory	Safety	Retained profits* RMB'000	
			surplus reserve* RMB'000	production reserve* RMB'000		
At 1 January 2012	100,000	1,000	6,724	753	56,966	165,443
Profit and total comprehensive income for the year	—	—	—	—	26,501	26,501
Deemed distribution to the equity holder	—	(1,000)	—	—	—	(1,000)
Disposal of a subsidiary	—	—	(731)	—	731	—
Dividends declared	—	—	—	—	(204)	(204)
Appropriation to statutory surplus reserve	—	—	2,409	—	(2,409)	—
Appropriation to safety production reserve	—	—	—	585	(585)	—
At 31 December 2012 and 1 January 2013	100,000	—	8,402	1,338	81,000	190,740
Profit and total comprehensive income for the year	—	—	—	—	25,833	25,833
Appropriation to statutory surplus reserve	—	—	2,405	—	(2,405)	—
Appropriation to safety production reserve	—	—	—	847	(847)	—
At 31 December 2013 and 1 January 2014	100,000	—	10,807	2,185	103,581	216,573
Profit and total comprehensive income for the year	—	—	—	—	74,189	74,189
Dividends declared	—	—	—	—	(50,000)	(50,000)
Appropriation to statutory surplus reserve	—	—	7,408	—	(7,408)	—
Appropriation to safety production reserve	—	—	—	1,871	(1,871)	—
At 31 December 2014	<u>100,000</u>	<u>—</u>	<u>18,215</u>	<u>4,056</u>	<u>118,491</u>	<u>240,762</u>

	Attributable to owners of the parent					Total equity RMB'000
	Share capital RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Safety production reserve* RMB'000	Retained profits* RMB'000	
At 31 December 2014 and 1 January 2015	100,000	—	18,215	4,056	118,491	240,762
Profit and total comprehensive income for the period.	—	—	—	—	15,140	15,140
Appropriation to statutory surplus reserve	—	—	—	—	—	—
Appropriation to safety production reserve	—	—	—	98	(98)	—
At 31 March 2015.	<u>100,000</u>	<u>—</u>	<u>18,215</u>	<u>4,154</u>	<u>133,533</u>	<u>255,902</u>
At 31 December 2013 and 1 January 2014	100,000	—	10,807	2,185	103,581	216,573
Profit and total comprehensive income for the period.	—	—	—	—	5,734	5,734
Appropriation to statutory surplus reserve	—	—	—	—	—	—
Appropriation to safety production reserve	—	—	—	308	(308)	—
At 31 March 2014 (Unaudited) .	<u>100,000</u>	<u>—</u>	<u>10,807</u>	<u>2,493</u>	<u>109,007</u>	<u>222,307</u>

* These reserve accounts comprise the consolidated reserves of RMB90,740,000, RMB116,573,000, RMB140,762,000 and RMB155,902,000 in the consolidated statements of financial position as at 31 December 2012, 2013, 2014 and 31 March 2015, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax:						
From continuing operations		27,321	35,026	100,168	10,045	20,455
From a discontinued operation	12	7,476	—	—	—	—
Adjustments for:						
Finance costs	7	10,577	9,840	9,981	2,171	2,767
Bank interest income		(790)	(334)	(264)	(44)	(47)
Income from available-for-sale investments		(16)	—	—	—	—
Gain on disposal of a subsidiary	31	(1,702)	—	—	—	—
Gain on disposal of items of property, plant and equipment		(901)	—	—	—	—
Loss on disposal of items of property, plant and equipment		59	—	—	—	—
Foreign exchange differences, net		23	123	(59)	(15)	(62)
Depreciation of property, plant and equipment	15	2,910	3,059	3,061	788	816
Depreciation of investment property	16	955	955	955	239	239
Amortisation of prepaid land lease payments	17	950	950	957	238	243
Amortisation of intangible assets	18	17	13	11	3	3
Write-off of trade receivables		—	—	845	—	—
Write-off of other receivables		—	—	7	—	—
Amortisation of prepaid rental expense		494	1,085	721	208	125
Impairment/(reversal of impairment) of inventories	20	1,180	12	(2,214)	(13)	—
Impairment/(reversal of impairment) of trade receivables	22	5,532	4,257	87	(1,186)	(1,553)
Impairment/(reversal of impairment) of other receivables	23	85	138	487	614	(70)
		<u>54,170</u>	<u>55,124</u>	<u>114,743</u>	<u>13,048</u>	<u>22,916</u>
Decrease/(increase) in inventories		(805)	(4,973)	13,145	5,333	(4,164)
Decrease/(increase) in gross amounts due from/(to) contract customers		86,058	(31,233)	(151,182)	(28,038)	(63,605)
Decrease/(increase) in trade and bills receivables		(171,842)	(62,896)	34,578	73,727	26,522
Increase in prepayments, deposits and other receivables		(17,746)	(5,909)	(4,380)	(19,043)	(3,940)

APPENDIX I
ACCOUNTANTS' REPORT

	Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Decrease/(increase) in amounts due from the holding company		9,248	(271)	1,289	1,105	—
Decrease/(increase) in amounts due from related companies		40	348	106	(1,269)	150
Decrease/(increase) in amounts due from a related party		3,100	2,316	—	(212)	—
Decrease/(increase) in pledged deposits - current		11,894	6,901	4,796	(12,677)	2,064
Decrease/(increase) in pledged deposits - non-current		344	(7,206)	(21,348)	6,084	(5,213)
Increase/(decrease) in trade and bills payables		(5,334)	59,590	8,677	(17,541)	26,921
Increase/(decrease) in advances from customers, other payables and accruals		(64,203)	14,414	66,857	3,131	7,990
Increase/(decrease) in amounts due to the holding company		9,167	(8,235)	(327)	1,057	5,067
Increase/(decrease) in amounts due to related companies		2,793	53	(971)	(4,476)	1,473
Increase/(decrease) in amounts due to related parties		489	496	(447)	(861)	(538)
Cash generated from/(used in) operations		(82,627)	18,519	65,536	19,368	15,643
Interest received		790	334	264	44	47
Interest paid		(7,422)	(9,445)	(9,901)	(2,171)	(2,767)
Income tax paid		(15,701)	(8,835)	(26,618)	(3,929)	(8,502)
Net cash flows generated from/(used in) operating activities		(104,960)	573	29,281	13,312	4,421
CASH FLOWS FROM INVESTING ACTIVITIES						
Income from available-for-sale investments		16	—	—	—	—
Purchases of items of property, plant and equipment		(3,117)	(7,343)	(14,888)	(1,970)	(595)
Proceeds from disposal of items of property, plant and equipment		969	—	—	—	—
Purchase of a land use right		—	—	(1,224)	—	—
Sales of available-for-sale investments		30,000	—	—	—	—
Additions to intangible assets		(110)	—	—	—	(43)
Disposal of a subsidiary	31	979	—	—	—	—
Net cash flows generated from/(used in) investing activities		28,737	(7,343)	(16,112)	(1,970)	(638)

	Notes	Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		186,000	228,000	221,000	40,000	9,043
Repayment of bank loans		(104,000)	(213,000)	(186,000)	(51,000)	(8,000)
Deemed distribution to the equity holder		(1,000)	—	—	—	—
Loans from the holding company		85,320	103,834	83,554	—	—
Repayment of loans from the holding company		(83,320)	(106,000)	(83,554)	—	—
Other loans		—	5,000	—	—	—
Repayment of other loans		—	—	(5,000)	(5,000)	—
Dividend paid		(204)	—	(47,000)	—	(2,445)
Interest paid		(6,029)	(828)	—	—	—
Increase in prepayments, deposits and other receivables		—	(857)	(8,111)	—	—
Net cash flows generated from/(used in) financing activities		<u>76,767</u>	<u>16,149</u>	<u>(25,111)</u>	<u>(16,000)</u>	<u>(1,402)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		544	9,379	(11,942)	(4,658)	2,381
Cash and cash equivalents at beginning of year/period		5,391	5,912	15,168	15,168	3,285
Effect of foreign exchange rate changes, net		<u>(23)</u>	<u>(123)</u>	<u>59</u>	<u>15</u>	<u>62</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u><u>5,912</u></u>	<u><u>15,168</u></u>	<u><u>3,285</u></u>	<u><u>10,525</u></u>	<u><u>5,728</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	24	<u>5,912</u>	<u>15,168</u>	<u>3,285</u>	<u>10,525</u>	<u>5,728</u>
Cash and cash equivalents as stated in the statements of financial position and statements of cash flows		<u><u>5,912</u></u>	<u><u>15,168</u></u>	<u><u>3,285</u></u>	<u><u>10,525</u></u>	<u><u>5,728</u></u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at
		2012	2013	2014	31 March
		RMB'000	RMB'000	RMB'000	2015
				RMB'000	
NON-CURRENT ASSETS					
Property, plant and equipment	15	24,020	24,636	28,534	28,283
Investment property	16	19,380	18,425	17,470	17,231
Prepaid land lease payments	17	13,232	12,282	11,332	11,094
Intangible assets	18	103	90	79	119
Investments in subsidiaries	19	8,787	12,787	20,787	20,787
Deferred tax assets	28	2,951	4,435	8,201	6,495
Pledged deposits	24	14,098	21,304	42,652	47,865
Total non-current assets		82,571	93,959	129,055	131,874
CURRENT ASSETS					
Inventories	20	36,666	39,634	27,792	32,208
Gross amounts due from contract customers	21	180,754	229,120	355,458	416,172
Trade and bills receivables	22	264,489	307,022	253,676	231,650
Prepayments, deposits and other receivables	23	35,555	40,675	54,135	55,652
Due from subsidiaries	35(c)	—	1,653	12,557	19,143
Due from related companies	35(c)	533	—	481	331
Pledged deposits	24	27,072	20,984	15,858	13,794
Cash and cash equivalents	24	5,351	14,993	2,900	5,320
Total current assets		550,420	654,081	722,857	774,270

	Notes	As at 31 December			As at
		2012	2013	2014	31 March
		RMB'000	RMB'000	RMB'000	2015
				RMB'000	
CURRENT LIABILITIES					
Gross amounts due to contract					
customers	21	91,439	104,173	98,305	94,342
Trade and bills payables	25	156,801	213,694	192,848	228,020
Advances from customers, other					
payables and accruals	26	37,255	58,937	123,209	128,413
Interest-bearing bank borrowings	27	123,000	138,000	173,000	174,043
Due to the holding company	35(c)	11,150	905	1,032	6,178
Due to subsidiaries	35(c)	9,015	2,253	5,863	3,458
Due to related companies	35(c)	7,295	7,349	6,360	7,824
Tax payable		10,811	12,455	16,938	12,832
Total current liabilities		<u>446,766</u>	<u>537,766</u>	<u>617,555</u>	<u>655,110</u>
NET CURRENT LIABILITIES		<u>103,654</u>	<u>116,315</u>	<u>105,302</u>	<u>119,160</u>
TOTAL ASSETS LESS CURRENT					
LIABILITIES					
		<u>186,225</u>	<u>210,274</u>	<u>234,357</u>	<u>251,034</u>
Net assets		<u>186,225</u>	<u>210,274</u>	<u>234,357</u>	<u>251,034</u>
EQUITY					
Equity attributable to owners of the					
parent					
Share capital	29	100,000	100,000	100,000	100,000
Reserves	30	<u>86,225</u>	<u>110,274</u>	<u>134,357</u>	<u>151,034</u>
Total equity		<u>186,225</u>	<u>210,274</u>	<u>234,357</u>	<u>251,034</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the PRC. The registered office of the Company is located at Yangfu Village, Paitou Town, Zhuji City, Zhejiang Province, PRC.

The Company and its subsidiaries are principally engaged in the design, development, manufacturing, installation and sale of environmental pollution prevention equipment and electronic products.

In the opinion of the Directors, the holding company of the Company is Tengy Group Limited (“TGL”) (天潔集團有限公司), which is established in the PRC. The ultimate controlling shareholders are Bian Yu, Bian Jianguang and Bian Shu.

As at the date of this report, the Company has direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Registered/ paid-up capital	Percentage of equity attributable to the Company Direct	Place and date of establishment/ registration and place of operations	Principal activities
諸暨市天潔安裝工程 有限公司 (“Tianjie Installation Engineering”) (note (a))	RMB4,500,000	100%	PRC/Mainland China 14 May 2003	Provision of installation services
諸暨市天潔電子科技 有限公司 (“Tianjie Electronic and Technology”) (note (a))	RMB2,000,000	100%	PRC/Mainland China 29 June 2009	Manufacturing and sale of electronic products
吐魯番天潔環境科技 有限公司 (“Turpan Environmental”) (note (b))	RMB20,000,000	100%	PRC/Mainland China 19 July 2013	Manufacturing and sale of electronic products

Notes:

- (a) Tianjie Installation Engineering and Tianjie Electronic and Technology were established in the PRC as a limited liability company. The statutory financial statements of these entities for the years ended 31 December 2012 and 2013 prepared

under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC, and the statutory financial statements of these entities for the year ended 31 December 2014 prepared under PRC GAAP were audited by 諸暨天陽會計師事務所有限公司, certified public accountants registered in the PRC.

- (b) Turpan Environmental was established in the PRC as a limited liability company. The statutory financial statements of this entity for the year ended 31 December 2013 prepared under PRC GAAP were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所 (特殊普通合夥)), certified public accountants registered in the PRC, and the statutory financial statements of the entity for the year ended 31 December 2014 prepared under PRC GAAP were audited by 諸暨天陽會計師事務所有限公司, certified public accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Financial Information include the financial statements of the Company and its subsidiaries for Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	<i>Financial Instruments</i> ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ²
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ²
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs ¹

*Annual Improvements
2011-2013 Cycle*

Amendments to a number of HKFRSs¹

*Annual Improvements
2012-2014 Cycle*

Amendments to a number of HKFRSs²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the Financial Information except for the application of HKAS 1 and HKFRS 15. Further information about HKAS 1 and HKFRS 15 is as follows:

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Group expects to adopt the amendments from 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operation* are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets and investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the

most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Plant and machinery	9.50%
Office equipment	19.00%-31.67%
Motor vehicles	23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

When the properties first became investment property after a change in use, the fair value of the investment property is not reliably measurable on a continuing basis as there are few recent transactions and market for comparable properties is inactive, and alternative reliable measurements of fair value are not available, either. The Group determines that the fair value of the investment property is not reliably measurable on a continuing basis and the investment property is measured using the cost model.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	4.75%
Land used right	2.74%

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 years.

Patent

Purchased patent is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 5 to 7 years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in administrative expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each of the Relevant Periods whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through profit or loss. Increases in the fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, amounts due to holding company, related companies and related parties and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

- (b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;
- (c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;
- (d) rental income, on a time proportion basis over the lease terms;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (f) dividend income, when the shareholders’ right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of outsourcing, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Other employee benefits*Pension scheme*

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These companies are required to contribute 14% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as a part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currency transactions

This Financial Information is presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment property and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If these portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are contained in note 28 to the Financial Information.

Impairment of trade and other receivables

Impairment of trade and other receivables is made based on ongoing assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and the impairment loss in the period in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment and investment property

In determining the useful lives and residual values of items of property, plant and equipment and investment property, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment and investment property are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Estimation of total budgeted costs and cost to completion for construction contracts

Total budgeted costs for construction contracts comprise (i) direct material costs, (ii) costs of outsourcing and direct labour, and (iii) an appropriation of variable and fixed service overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) current market price of raw materials, (ii) current offers from sub-contractors and suppliers, and (iii) recent offers agreed with sub-contractors and suppliers.

Percentage of completion of construction works

The Group recognises revenue according to the percentage of completion of individual contracts of construction works, which requires estimation to be made by management. The stage of completion is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the precipitator product segment is engaged in the design, development, manufacturing, installation and sale of precipitators; and
- (b) the transportation segment provides transportation services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, and finance costs are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2012	Precipitator products RMB'000	Transportation services RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	553,543	12,655	566,198
Intersegment sales	<u>—</u>	<u>889</u>	<u>889</u>
	<u>553,543</u>	<u>13,544</u>	<u>567,087</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(889)</u>
Total revenue			<u>566,198</u>
Revenue from continuing operations			553,543
Revenue from a discontinued operation			<u>12,655</u>
Total revenue			<u>566,198</u>
Segment results	37,109	7,475	44,584
<i>Reconciliation:</i>			
Interest income			790
Finance costs			<u>(10,577)</u>
Total profit before tax			<u>34,797</u>
Profit before tax from continuing operations			27,321
Profit before tax from a discontinued operation			<u>7,476</u>
Total profit before tax			<u>34,797</u>
Segment assets	649,186	—	<u>649,186</u>
Total assets			<u>649,186</u>

APPENDIX I
ACCOUNTANTS' REPORT

Year ended 31 December 2012	Precipitator products RMB'000	Transportation services RMB'000	Total RMB'000
Assets related to continuing operations			649,186
Assets related to a discontinued operation			—
Total assets			<u>649,186</u>
Segment liabilities	458,446	—	<u>458,446</u>
Total liabilities			<u>458,446</u>
Liabilities related to continuing operations			458,446
Liabilities related to a discontinued operation			—
Total liabilities			<u>458,446</u>
Other segment information:			
Impairment losses recognised in profit or loss	6,876	—	6,876
Depreciation and amortisation	4,808	24	4,832
Other non-cash expenses	2,246	1,905	4,151
Year ended 31 December 2013			
	Precipitator products RMB'000	Transportation services* RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	594,058	—	594,058
Intersegment sales	—	—	—
	<u>594,058</u>	<u>—</u>	<u>594,058</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			—
Total revenue			<u>594,058</u>

APPENDIX I

ACCOUNTANTS' REPORT

Year ended 31 December 2013	Precipitator products RMB'000	Transportation services* RMB'000	Total RMB'000
Revenue from continuing operations			594,058
Revenue from a discontinued operation			—
Total revenue			<u>594,058</u>
Segment results	44,532	—	44,532
<i>Reconciliation:</i>			
Interest income			334
Finance costs			<u>(9,840)</u>
Total profit before tax			<u>35,026</u>
Profit before tax from continuing operations			35,026
Profit before tax from a discontinued operation			—
Total profit before tax			<u>35,026</u>
Segment assets	775,797	—	775,797
Total assets			<u>775,797</u>
Assets related to continuing operations			775,797
Assets related to a discontinued operation			—
Total assets			<u>775,797</u>
Segment liabilities	559,224	—	559,224
Total liabilities			<u>559,224</u>
Liabilities related to continuing operations			559,224
Liabilities related to a discontinued operation			—
Total liabilities			<u>559,224</u>

Year ended 31 December 2013	Precipitator products RMB'000	Transportation services* RMB'000	Total RMB'000
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Other segment information:

Impairment losses recognised in profit or loss	4,407	—	4,407
Depreciation and amortisation	4,977	—	4,977
Other non-cash expenses	1,208	—	1,208

* On 23 November 2012, the Group disposed of Zhuji City Yuanteng Logistics Co., Ltd. ("Yuanteng Logistics"), which was engaged in the provision of transportation services to a related company, Zhuji Tuoyu Renewable Resources Ltd. ("Tuoyu Renewable"). The disposal of Yuanteng Logistics was completed on 25 December 2012.

Year ended 31 December 2014	Precipitator products RMB'000	Transportation services RMB'000	Total RMB'000
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Segment revenue:

Sales to external customers	781,905	—	781,905
Intersegment sales	—	—	—
	<u>781,905</u>	<u>—</u>	<u>781,905</u>

Reconciliation:

Elimination of intersegment sales			<u>—</u>
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Total revenue			<u>781,905</u>
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Revenue from continuing operations			781,905
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Revenue from a discontinued operation			<u>—</u>
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Total revenue			<u>781,905</u>
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Segment results	109,885	—	109,885
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Reconciliation:

Interest income			264
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Finance costs			<u>(9,981)</u>
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Total profit before tax			<u>100,168</u>
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Year ended 31 December 2014	Precipitator products <i>RMB'000</i>	Transportation services <i>RMB'000</i>	Total <i>RMB'000</i>
Profit before tax from continuing operations			100,168
Profit before tax from a discontinued operation			<u>—</u>
Total profit before tax			<u>100,168</u>
Segment assets	909,222	—	<u>909,222</u>
Total assets			<u>909,222</u>
Assets related to continuing operations			909,222
Assets related to a discontinued operation			<u>—</u>
Total assets			<u>909,222</u>
Segment liabilities	668,460	—	<u>668,460</u>
Total liabilities			<u>668,460</u>
Liabilities related to continuing operations			668,460
Liabilities related to a discontinued operation			<u>—</u>
Total liabilities			<u>668,460</u>
Other segment information:			
Impairment losses recognised in profit or loss	574	—	574
Depreciation and amortisation	4,984	—	4,984
Other non-cash expenses	1,573	—	1,573

Three months ended 31 March 2015	Precipitator products RMB'000	Transportation services RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	156,645	—	156,645
Intersegment sales	—	—	—
	<u>156,645</u>	<u>—</u>	<u>156,645</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>—</u>
Total revenue			<u>156,645</u>
Revenue from continuing operations			156,645
Revenue from a discontinued operation			<u>—</u>
Total revenue			<u>156,645</u>
Segment results	23,175	—	23,175
<i>Reconciliation:</i>			
Interest income			47
Finance costs			<u>(2,767)</u>
Total profit before tax			<u>20,455</u>
Profit before tax from continuing operations			20,455
Profit before tax from a discontinued operation			<u>—</u>
Total profit before tax			<u>20,455</u>

Three months ended 31 March 2015	Precipitator products <i>RMB'000</i>	Transportation services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	956,927	—	<u>956,927</u>
Total assets			<u>956,927</u>
Assets related to continuing operations			956,927
Assets related to a discontinued operation			<u>—</u>
Total assets			<u>956,927</u>
Segment liabilities	701,025	—	<u>701,025</u>
Total liabilities			<u>701,025</u>
Liabilities related to continuing operations			701,025
Liabilities related to a discontinued operation			<u>—</u>
Total liabilities			<u>701,025</u>
Other segment information:			
Impairment losses recognised in profit or loss	—	—	—
Depreciation and amortisation	1,301	—	1,301
Other non-cash expenses	125	—	125

Three months ended 31 March 2014 (Unaudited)	Precipitator products RMB'000	Transportation services RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	137,471	—	137,471
Intersegment sales	<u>—</u>	<u>—</u>	<u>—</u>
	<u>137,471</u>	<u>—</u>	<u>137,471</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			—
Total revenue			<u>137,471</u>
Revenue from continuing operations			137,471
Revenue from a discontinued operation			<u>—</u>
Total revenue			<u>137,471</u>
Segment results	12,172	—	12,172
<i>Reconciliation:</i>			
Interest income			44
Finance costs			<u>(2,171)</u>
Total profit before tax			<u>10,045</u>
Profit before tax from continuing operations			10,045
Profit before tax from a discontinued operation			<u>—</u>
Total profit before tax			<u>10,045</u>

Geographical information**(a) Revenue from external customers**

	Year ended 31 December			Three months ended	
	2012	2013	2014	31 March 2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Mainland China	535,425	587,971	754,642	133,285	147,930
Other countries	<u>18,118</u>	<u>6,087</u>	<u>27,263</u>	<u>4,186</u>	<u>8,715</u>
	<u>553,543</u>	<u>594,058</u>	<u>781,905</u>	<u>137,471</u>	<u>156,645</u>

The revenue information of continuing operations above is based on the location of the customers.

(b) Non-current assets

All non-current assets of the Group are located in Mainland China.

Information about major customers

For the year ended 31 December 2012, revenue from continuing operations were derived from sales to TGL amounted to RMB171,869,000 or 31% of the Group's total revenue and customer A amounted to RMB97,605,000 or 18% of the Group's total revenue. For the year ended 31 December 2013, revenue from sales to customer B amounted to RMB71,207,000 or 12% of the Group's total revenue. For the year ended 31 December 2014, no revenue from sales to a single customer amounted to 10% or more of the Group's total revenue. For the three months ended 31 March 2014, revenue from sales to customer C amounted to RMB16,776,000 or 12% of the Group's total revenue. For the three months ended 31 March 2015, revenue from sales to customer D amounted to RMB25,327,000 or 16% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue of construction contracts; the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

Note	Year ended 31 December		Three months ended		
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Revenue					
Construction contracts	539,425	575,393	776,596	136,780	155,914
Sale of goods	13,150	18,665	5,013	691	731
Rendering of services	968	—	296	—	—
	<u>553,543</u>	<u>594,058</u>	<u>781,905</u>	<u>137,471</u>	<u>156,645</u>
Other income					
Bank interest income	789	334	264	44	47
Income from available-for-sale investments	16	—	—	—	—
Government grants	52	377	1,612	30	—
Gross rental income	1,085	1,085	1,085	271	271
Others	83	72	2	2	—
	<u>2,025</u>	<u>1,868</u>	<u>2,963</u>	<u>347</u>	<u>318</u>
Gains					
Gain on disposal of items of property, plant and equipment	901	—	—	—	—
Gain on disposal of a subsidiary	31	1,702	—	—	—
Foreign exchange gain	—	—	59	15	62
	<u>2,603</u>	<u>—</u>	<u>59</u>	<u>15</u>	<u>62</u>
	<u>4,628</u>	<u>1,868</u>	<u>3,022</u>	<u>362</u>	<u>380</u>

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	Three months ended				
		Year ended 31 December			31 March	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Cost of services provided		478,798	498,146	636,606	117,497	126,556
Cost of inventories sold		9,888	16,330	2,140	472	213
Depreciation of property, plant and equipment	15	2,886	3,059	3,061	788	816
Depreciation of investment property	16	955	955	955	239	239
Amortisation of prepaid land lease payments	17	950	950	957	238	243
Amortisation of intangible assets	18	17	13	11	3	3
Amortisation of prepaid rental expense		494	1,085	721	208	125
Write-off of trade receivables.		—	—	845	—	—
Write-off of other receivables		—	—	7	—	—
Auditors' remuneration		180	1,011	220	—	—
Employee benefit expense (excluding directors' and chairman of the Board's remuneration (<i>note 8</i>)):						
Wages and salaries		22,999	25,341	31,330	7,515	10,931
Pension scheme contributions.		1,743	2,066	2,472	335	522
Staff welfare expenses		2,620	2,884	3,980	351	535
		<u>27,362</u>	<u>30,291</u>	<u>37,782</u>	<u>8,201</u>	<u>11,988</u>
Foreign exchange differences, net		23	123	(59)	(15)	(62)
Impairment/(reversal of impairment) of inventories		1,180	12	(2,214)	(13)	—
Impairment/(reversal of impairment) of trade receivables	22	5,611	4,257	87	(1,186)	(1,553)

	Notes	Three months ended				
		Year ended 31 December			31 March	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Impairment/(reversal of impairment) of other receivables	23	85	138	487	614	(70)
Bank interest income		(789)	(334)	(264)	(44)	(47)
Income from available-for-sale investments		(16)	—	—	—	—
Rental income on investment property less direct operating expenses		(131)	(131)	(131)	(33)	(33)
Loss on disposal of items of property, plant and equipment		59	—	—	—	—
Gain on disposal of items of property, plant and equipment		(901)	—	—	—	—
Gain on disposal of a subsidiary	31	<u>(1,702)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Three months ended					
	Year ended 31 December			31 March		
	2012	2013	2014	2014	2015	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
					(Unaudited)	
Interest on loans from the holding company		2,980	365	80	10	—
Interest on bank loans wholly repayable within one year		7,175	9,124	9,535	2,161	2,767
Interest on discounted bills		<u>422</u>	<u>351</u>	<u>366</u>	<u>—</u>	<u>—</u>
		<u>10,577</u>	<u>9,840</u>	<u>9,981</u>	<u>2,171</u>	<u>2,767</u>

8. DIRECTORS', SUPERVISORS' AND CHAIRMAN OF THE BOARD'S REMUNERATION

Directors', supervisors' and chairman of the Board's remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December		Three months ended		
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	—	—	—	—	—
Salaries, allowances and benefits in kind	115	129	436	58	289
Pension scheme contributions	21	27	43	11	14
	<u>136</u>	<u>156</u>	<u>479</u>	<u>69</u>	<u>303</u>

(a) Independent non-executive directors

Zhang Bing, Dang Xiaoqing and Tam Hon Shan Celia were appointed as independent non-executive directors on 15 September 2014 and there were no fees and other emoluments payable to the independent non-executive directors during the years ended 31 December 2012 and 2013 and the three months ended 31 March 2014.

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014				
Tam Hon Shan Celia	<u>—</u>	<u>57</u>	<u>—</u>	<u>57</u>

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Three months ended 31 March 2015				
Tam Hon Shan Celia	—	58	—	58
Zhang Bing	—	—	—	—
Dang Xiaoqing	—	—	—	—
	<u>—</u>	<u>58</u>	<u>—</u>	<u>58</u>

(b) Executive director, non-executive directors, supervisors and the chairman of the Board

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2012				
Executive directors:				
Bian Yu ⁽¹⁾	—	5	14	19
Bian Weican	—	—	—	—
	<u>—</u>	<u>5</u>	<u>14</u>	<u>19</u>
Non-executive directors:				
Bian Jianguang	—	—	—	—
Zhang Yuanyuan	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Supervisors:				
Bian Shu	—	—	—	—
Chen Jiancheng ⁽²⁾	—	—	—	—
Zhang Genfa ⁽²⁾	—	110	7	117
	<u>—</u>	<u>110</u>	<u>7</u>	<u>117</u>
	<u>—</u>	<u>115</u>	<u>21</u>	<u>136</u>

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2013				
Executive directors:				
Bian Yu ⁽¹⁾	—	7	16	23
Bian Weican	—	1	3	4
	—	8	19	27
Non-executive directors:				
Bian Jianguang	—	—	—	—
Zhang Yuanyuan	—	—	—	—
	—	—	—	—
Supervisors:				
Bian Shu	—	—	—	—
Chen Jiancheng ⁽²⁾	—	—	—	—
Zhang Genfa ⁽²⁾	—	121	8	129
	—	121	8	129
	—	129	27	156
Year ended 31 December 2014				
Executive directors:				
Bian Yu ⁽¹⁾	—	86	18	104
Bian Weican	—	138	18	156
	—	224	36	260
Non-executive directors:				
Bian Jianguang	—	30	—	30
Zhang Yuanyuan	—	30	—	30
	—	60	—	60

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Supervisors:				
Bian Shu	—	53	3	56
Fu Jun ⁽³⁾	—	—	—	—
Fang Zhiguo ⁽³⁾	—	—	—	—
Chen Jiancheng ⁽²⁾	—	—	—	—
Zhang Genfa ⁽²⁾	—	42	4	46
	—	95	7	102
	—	379	43	422
Three months ended 31 March 2015				
Executive directors:				
Bian Yu ⁽¹⁾	—	97	5	102
Bian Weican	—	36	5	41
	—	133	10	143
Non-executive directors:				
Bian Jianguang	—	30	—	30
Zhang Yuanyuan	—	30	—	30
	—	60	—	60
Supervisors:				
Bian Shu	—	37	5	42
Fu Jun ⁽³⁾	—	—	—	—
Fang Zhiguo ⁽³⁾	—	—	—	—
	—	37	5	42
	—	230	15	245

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Three months ended 31 March 2014 (Unaudited)				
Executive directors:				
Bian Yu ⁽¹⁾	—	7	4	11
Bian Weican	—	27	4	31
He Jianmin	—	—	—	—
	—	34	8	42
Non-executive directors:				
Bian Jianguang	—	—	—	—
Zhang Yuanyuan	—	—	—	—
	—	—	—	—
Supervisors:				
Bian Shu	—	—	—	—
Zhang Genfa ⁽²⁾	—	25	2	27
	—	25	2	27
	—	59	10	69

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Notes:

- (1) Bian Yu was also the chairman of the Board of the Company during the Relevant Periods.
- (2) Zhang Genfa and Chen Jiancheng resigned as a supervisor with effect from 10 May 2014.
- (3) Fu Jun and Fang Zhiguo were appointed as supervisors of the Company with effect from 18 October 2014.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015 included one, one, one, one and three directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four, four, four, four and two highest paid employees who are neither a director nor chairman of the Board of the Company during the Relevant Periods are as follows:

	Year ended 31 December			Three months ended	
				31 March	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Salaries, allowances and benefits in kind	561	644	762	156	127
Pension scheme contributions	<u>33</u>	<u>21</u>	<u>31</u>	<u>6</u>	<u>3</u>
	<u>594</u>	<u>665</u>	<u>793</u>	<u>162</u>	<u>130</u>

The remuneration of all the non-director and non-chairman of the Board highest paid employees fell within the band of nil to HK\$1,000,000.

10. INCOME TAX

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the Company and its subsidiaries which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on the taxable income.

The income tax expense of the Group is analysed as follows:

	Year ended 31 December			Three months ended	
				31 March	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Current — charged for the year/period	8,817	12,461	33,639	1,816	4,925
Deferred	<u>(2,391)</u>	<u>(3,268)</u>	<u>(7,660)</u>	<u>2,495</u>	<u>390</u>
Total tax charge for the year/period	<u>6,426</u>	<u>9,193</u>	<u>25,979</u>	<u>4,311</u>	<u>5,315</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Three months ended	
	2012	2013	2014	31 March 2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax from continuing operations	<u>27,321</u>	<u>35,026</u>	<u>100,168</u>	<u>10,045</u>	<u>20,455</u>
Tax at the statutory tax rate of 25% in Mainland China	6,830	8,757	25,042	2,511	5,114
Income not subject to tax	(692)	—	—	—	—
Effect of non-deductible expenses	288	403	828	104	192
Tax losses not recognised	—	33	109	1,696	9
Tax charge at the Group's effective tax rate	<u>6,426</u>	<u>9,193</u>	<u>25,979</u>	<u>4,311</u>	<u>5,315</u>

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the Company includes a profit of RMB24,107,000, RMB24,049,000, RMB74,083,000, RMB7,421,000 and RMB16,677,000 for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015, respectively, which has been dealt with in the financial statements of the Company (note 30).

12. DISCONTINUED OPERATION

On 23 November 2012, the Group disposed of Yuanteng Logistics, which was engaged in the provision of transportation services, because the Group plans to focus its resources on its manufacturing businesses. The disposal of Yuanteng Logistics was completed on 25 December 2012.

The results of Yuanteng Logistics are presented below:

	1 January 2012 to 25 December 2012 RMB'000
Revenue	12,655
Expenses	<u>(5,179)</u>
Profit before tax from the discontinued operation	7,476
Income tax	<u>(1,870)</u>
Profit for the period from the discontinued operation	<u>5,606</u>

The net cash flows incurred by Yuanteng Logistics are as follows:

	1 January 2012 to 25 December 2012
	<i>RMB'000</i>
Operating activities	8,870
Investing activities	—
Financing activities	<u>(8,875)</u>
Net cash outflow	<u><u>(5)</u></u>
Earnings per share:	
Basic and diluted, from the discontinued operation	<u><u>RMB0.06</u></u>

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	1 January 2012 to 25 December 2012
Profit attributable to ordinary equity holders of the parent from the discontinued operation (<i>note 14</i>)	RMB5,606,000
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation (<i>note 14</i>)	<u><u>100,000,000</u></u>

13. DIVIDENDS

	Three months ended				
	Year ended 31 December			31 March	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividend	<u>204</u>	<u>—</u>	<u>50,000</u>	<u>—</u>	<u>—</u>

(Unaudited)

A dividend of RMB204,000 for the year ended 31 December 2012 was approved by the shareholders on 20 February 2012.

A dividend of RMB50,000,000 for the year ended 31 December 2014 was approved by the shareholders on 15 September 2014.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 100,000,000 in issue during the Relevant Periods and the three months ended 31 March 2014.

There were no potentially dilutive ordinary shares in issue during the Relevant Periods and the three months ended 31 March 2014 and therefore no adjustment has been made to the basic earnings per share amounts presented in respect of a dilution.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December			Three months ended	
	2012	2013	2014	31 March	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Earnings					
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation: .					
From continuing operations	20,895	25,833	74,189	5,734	15,140
From a discontinued operation	5,606	—	—	—	—
	<u>26,501</u>	<u>25,833</u>	<u>74,189</u>	<u>5,734</u>	<u>15,140</u>
Number of shares					
	Year ended 31 December			Three months ended	
	2012	2013	2014	31 March	2015
Weighted average number of ordinary shares in issue during the year/period used in the basic and diluted earnings per share calculation.	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012						
At 1 January 2012:						
Cost	27,233	12,103	249	467	—	40,052
Accumulated depreciation	<u>(2,698)</u>	<u>(1,846)</u>	<u>(94)</u>	<u>(379)</u>	<u>—</u>	<u>(5,017)</u>
Net carrying amount	<u>24,535</u>	<u>10,257</u>	<u>155</u>	<u>88</u>	<u>—</u>	<u>35,035</u>
At 1 January 2012, net of accumulated depreciation						
	24,535	10,257	155	88	—	35,035
Additions	—	2,384	67	68	598	3,117
Disposals	—	—	—	(127)	—	(127)
Disposal of a subsidiary (note 31)	—	—	—	(5)	—	(5)
Transfer to investment property	(10,397)	—	—	—	—	(10,397)
Depreciation provided during the year	(1,642)	(1,167)	(77)	(24)	—	(2,910)
Transfers	<u>—</u>	<u>259</u>	<u>—</u>	<u>—</u>	<u>(259)</u>	<u>—</u>
At 31 December 2012, net of accumulated depreciation	<u>12,496</u>	<u>11,733</u>	<u>145</u>	<u>—</u>	<u>339</u>	<u>24,713</u>
At 31 December 2012:						
Cost	16,004	14,746	316	—	339	31,405
Accumulated depreciation	<u>(3,508)</u>	<u>(3,013)</u>	<u>(171)</u>	<u>—</u>	<u>—</u>	<u>(6,692)</u>
Net carrying amount	<u>12,496</u>	<u>11,733</u>	<u>145</u>	<u>—</u>	<u>339</u>	<u>24,713</u>

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2013						
At 1 January 2013:						
Cost	16,004	14,746	316	—	339	31,405
Accumulated depreciation	<u>(3,508)</u>	<u>(3,013)</u>	<u>(171)</u>	<u>—</u>	<u>—</u>	<u>(6,692)</u>
Net carrying amount	<u>12,496</u>	<u>11,733</u>	<u>145</u>	<u>—</u>	<u>339</u>	<u>24,713</u>
At 1 January 2013, net of accumulated						
depreciation	12,496	11,733	145	—	339	24,713
Additions	—	2,482	34	228	4,599	7,343
Depreciation provided during the year	<u>(1,546)</u>	<u>(1,403)</u>	<u>(78)</u>	<u>(32)</u>	<u>—</u>	<u>(3,059)</u>
Transfers	<u>—</u>	<u>390</u>	<u>—</u>	<u>—</u>	<u>(390)</u>	<u>—</u>
At 31 December 2013, net of accumulated						
depreciation	<u>10,950</u>	<u>13,202</u>	<u>101</u>	<u>196</u>	<u>4,548</u>	<u>28,997</u>
At 31 December 2013:						
Cost	16,004	17,618	350	228	4,548	38,748
Accumulated depreciation	<u>(5,054)</u>	<u>(4,416)</u>	<u>(249)</u>	<u>(32)</u>	<u>—</u>	<u>(9,751)</u>
Net carrying amount	<u>10,950</u>	<u>13,202</u>	<u>101</u>	<u>196</u>	<u>4,548</u>	<u>28,997</u>

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2014						
At 1 January 2014:						
Cost	16,004	17,618	350	228	4,548	38,748
Accumulated depreciation	<u>(5,054)</u>	<u>(4,416)</u>	<u>(249)</u>	<u>(32)</u>	<u>—</u>	<u>(9,751)</u>
Net carrying amount	<u>10,950</u>	<u>13,202</u>	<u>101</u>	<u>196</u>	<u>4,548</u>	<u>28,997</u>
At 1 January 2014, net of accumulated						
depreciation	10,950	13,202	101	196	4,548	28,997
Additions	—	3,600	249	822	10,904	15,575
Depreciation provided						
during the year	(1,062)	(1,820)	(68)	(111)	—	(3,061)
Transfers	<u>10,696</u>	<u>85</u>	<u>—</u>	<u>—</u>	<u>(10,781)</u>	<u>—</u>
At 31 December 2014, net of accumulated						
depreciation	<u>20,584</u>	<u>15,067</u>	<u>282</u>	<u>907</u>	<u>4,671</u>	<u>41,511</u>
At 31 December 2014,						
Cost	26,700	21,303	599	1,050	4,671	54,323
Accumulated depreciation	<u>(6,116)</u>	<u>(6,236)</u>	<u>(317)</u>	<u>(143)</u>	<u>—</u>	<u>(12,812)</u>
Net carrying amount	<u>20,584</u>	<u>15,067</u>	<u>282</u>	<u>907</u>	<u>4,671</u>	<u>41,511</u>

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 March 2015						
At 1 January 2015:						
Cost	26,700	21,303	599	1,050	4,671	54,323
Accumulated depreciation	<u>(6,116)</u>	<u>(6,236)</u>	<u>(317)</u>	<u>(143)</u>	<u>—</u>	<u>(12,812)</u>
Net carrying amount	<u>20,584</u>	<u>15,067</u>	<u>282</u>	<u>907</u>	<u>4,671</u>	<u>41,511</u>
At 1 January 2015, net of accumulated depreciation						
	20,584	15,067	282	907	4,671	41,511
Additions	—	424	14	—	157	595
Depreciation provided during the period	(266)	(459)	(29)	(62)	—	(816)
Transfers	<u>116</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(116)</u>	<u>—</u>
At 31 March 2015, net of accumulated depreciation						
	<u>20,434</u>	<u>15,032</u>	<u>267</u>	<u>845</u>	<u>4,712</u>	<u>41,290</u>
At 31 March 2015,						
Cost	26,816	21,727	613	1,050	4,712	54,918
Accumulated depreciation	<u>(6,382)</u>	<u>(6,695)</u>	<u>(346)</u>	<u>(205)</u>	<u>—</u>	<u>(13,628)</u>
Net carrying amount	<u>20,434</u>	<u>15,032</u>	<u>267</u>	<u>845</u>	<u>4,712</u>	<u>41,290</u>

As at 31 December 2012, 2013 and 2014 and 31 March 2015, certain of the Group's buildings with aggregate net carrying amounts of RMB11,542,000, RMB10,290,000, RMB9,330,000 and RMB9,090,026, respectively, were pledged to secure bank loan facilities granted to the Group (note 27).

Company

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2012						
At 1 January 2012:						
Cost	27,233	11,056	115	—	—	38,404
Accumulated depreciation	<u>(2,698)</u>	<u>(1,418)</u>	<u>(37)</u>	<u>—</u>	<u>—</u>	<u>(4,153)</u>
Net carrying amount	<u>24,535</u>	<u>9,638</u>	<u>78</u>	<u>—</u>	<u>—</u>	<u>34,251</u>
At 1 January 2012, net of accumulated						
depreciation	24,535	9,638	78	—	—	34,251
Additions	—	2,284	62	—	598	2,944
Transfer to investment property	(10,397)	—	—	—	—	(10,397)
Depreciation provided during the year	(1,642)	(1,095)	(41)	—	—	(2,778)
Transfers	<u>—</u>	<u>259</u>	<u>—</u>	<u>—</u>	<u>(259)</u>	<u>—</u>
At 31 December 2012, net of accumulated						
depreciation	<u>12,496</u>	<u>11,086</u>	<u>99</u>	<u>—</u>	<u>339</u>	<u>24,020</u>
At 31 December 2012:						
Cost	16,004	13,599	177	—	339	30,119
Accumulated depreciation	<u>(3,508)</u>	<u>(2,513)</u>	<u>(78)</u>	<u>—</u>	<u>—</u>	<u>(6,099)</u>
Net carrying amount	<u>12,496</u>	<u>11,086</u>	<u>99</u>	<u>—</u>	<u>339</u>	<u>24,020</u>

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2013						
At 1 January 2013:						
Cost	16,004	13,599	177	—	339	30,119
Accumulated depreciation	<u>(3,508)</u>	<u>(2,513)</u>	<u>(78)</u>	<u>—</u>	<u>—</u>	<u>(6,099)</u>
Net carrying amount	<u>12,496</u>	<u>11,086</u>	<u>99</u>	<u>—</u>	<u>339</u>	<u>24,020</u>
At 1 January 2013, net of accumulated						
depreciation	12,496	11,086	99	—	339	24,020
Additions	—	2,472	32	228	851	3,583
Depreciation provided during the year	<u>(1,546)</u>	<u>(1,336)</u>	<u>(53)</u>	<u>(32)</u>	<u>—</u>	<u>(2,967)</u>
Transfers	<u>—</u>	<u>390</u>	<u>—</u>	<u>—</u>	<u>(390)</u>	<u>—</u>
At 31 December 2013, net of accumulated						
depreciation	<u>10,950</u>	<u>12,612</u>	<u>78</u>	<u>196</u>	<u>800</u>	<u>24,636</u>
At 31 December 2013:						
Cost	16,004	16,461	209	228	800	33,702
Accumulated depreciation	<u>(5,054)</u>	<u>(3,849)</u>	<u>(131)</u>	<u>(32)</u>	<u>—</u>	<u>(9,066)</u>
Net carrying amount	<u>10,950</u>	<u>12,612</u>	<u>78</u>	<u>196</u>	<u>800</u>	<u>24,636</u>

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2014						
At 1 January 2014:						
Cost	16,004	16,461	209	228	800	33,702
Accumulated depreciation	<u>(5,054)</u>	<u>(3,849)</u>	<u>(131)</u>	<u>(32)</u>	<u>—</u>	<u>(9,066)</u>
Net carrying amount	<u>10,950</u>	<u>12,612</u>	<u>78</u>	<u>196</u>	<u>800</u>	<u>24,636</u>
At 1 January 2014, net of accumulated depreciation						
	10,950	12,612	78	196	800	24,636
Additions	—	3,285	194	822	4,210	8,511
Disposal	—	(1,641)	—	—	—	(1,641)
Depreciation provided during the year	(1,062)	(1,746)	(53)	(111)	—	(2,972)
Transfers	<u>170</u>	<u>86</u>	<u>—</u>	<u>—</u>	<u>(256)</u>	<u>—</u>
At 31 December 2014, net of accumulated depreciation						
	<u>10,058</u>	<u>12,596</u>	<u>219</u>	<u>907</u>	<u>4,754</u>	<u>28,534</u>
At 31 December 2014:						
Cost	16,174	17,735	403	1,050	4,754	40,116
Accumulated depreciation	<u>(6,116)</u>	<u>(5,139)</u>	<u>(184)</u>	<u>(143)</u>	<u>—</u>	<u>(11,582)</u>
Net carrying amount	<u>10,058</u>	<u>12,596</u>	<u>219</u>	<u>907</u>	<u>4,754</u>	<u>28,534</u>

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 March 2015						
At 1 January 2015:						
Cost	16,174	17,735	403	1,050	4,754	40,116
Accumulated depreciation	<u>(6,116)</u>	<u>(5,139)</u>	<u>(184)</u>	<u>(143)</u>	<u>—</u>	<u>(11,582)</u>
Net carrying amount	<u>10,058</u>	<u>12,596</u>	<u>219</u>	<u>907</u>	<u>4,754</u>	<u>28,534</u>
At 1 January 2015, net of accumulated depreciation						
	10,058	12,596	219	907	4,754	28,534
Additions	—	424	—	—	70	494
Depreciation provided during the period	(266)	(395)	(22)	(62)	—	(745)
Transfers	<u>29</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(29)</u>	<u>—</u>
At 31 March 2015, net of accumulated depreciation						
	<u>9,821</u>	<u>12,625</u>	<u>197</u>	<u>845</u>	<u>4,795</u>	<u>28,283</u>
At 31 March 2015,						
Cost	16,203	18,159	403	1,050	4,795	40,610
Accumulated depreciation	<u>(6,382)</u>	<u>(5,534)</u>	<u>(206)</u>	<u>(205)</u>	<u>—</u>	<u>(12,327)</u>
Net carrying amount	<u>9,821</u>	<u>12,625</u>	<u>197</u>	<u>845</u>	<u>4,795</u>	<u>28,283</u>

As at 31 December 2012, 2013 and 2014 and 31 March 2015, certain of the Company's buildings with aggregate net carrying amounts of RMB11,542,000, RMB10,290,000, RMB9,330,000 and RMB9,090,026, respectively, were pledged to secure bank loan facilities granted to the Company (note 27).

16. INVESTMENT PROPERTY

Group and Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Carrying amount at beginning of year/period . .	—	19,380	18,425	17,470
Transfer from owner-occupied property	20,335	—	—	—
Depreciation provided during the year/period . .	<u>(955)</u>	<u>(955)</u>	<u>(955)</u>	<u>(239)</u>
Carrying amount at end of year/period	<u>19,380</u>	<u>18,425</u>	<u>17,470</u>	<u>17,231</u>

The Group's and the Company's investment property is situated in Mainland China and is held under a short term lease.

The Group's and the Company's investment property consists of an industrial property. The investment property is leased to a related party under operating leases, further summary details of which are included in note 33(a) to the Financial Information.

The investment property is measured at cost. The fair value of the investment property as at 31 December 2012, 2013 and 2014 and 31 March 2015 was RMB20,000,000, RMB20,400,000, RMB20,800,000 and RMB20,800,000, respectively, based on valuations performed by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Group's and the Company's investment property with aggregate net carrying amounts of RMB19,380,000, RMB18,425,000, RMB17,470,000 and RMB17,231,000, respectively, were pledged to secure bank loan facilities granted to the Group (note 27).

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's and the Company's investment property:

As at 31 December 2012

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Investment property	<u>—</u>	<u>—</u>	<u>20,000</u>	<u>20,000</u>

As at 31 December 2013

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Investment property	<u>—</u>	<u>—</u>	<u>20,400</u>	<u>20,400</u>

As at 31 December 2014

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Investment property	<u>—</u>	<u>—</u>	<u>20,800</u>	<u>20,800</u>

As at 31 March 2015

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investment property	—	—	20,800	20,800

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

Investment property	Valuation techniques	Significant unobservable inputs	Range
31 December 2012	Income approach	Market monthly rental rate (RMB/square metre)	6.64
		Yield rate	5%
31 December 2013	Income approach	Market monthly rental rate (RMB/square metre)	6.84
		Yield rate	5%
31 December 2014	Income approach	Market monthly rental rate (RMB/square metre)	7.06
		Yield rate	5%
31 March 2015	Income approach	Market monthly rental rate (RMB/square metre)	7.08
		Yield rate	5%

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment property. A significant increase (decrease) in the yield rate in isolation would result in a significant decrease (increase) in the fair value of the investment property. Generally, a change in the assumption made for the estimated rental value is accompanied by an opposite change in the yield rate.

17. PREPAID LAND LEASE PAYMENTS

Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Carrying amount at beginning of year/period . .	25,070	14,182	13,232	13,499
Additions	—	—	1,224	—
Amortised during the year/period	(950)	(950)	(957)	(243)
Transfer to investment property	<u>(9,938)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amount at end of year/period	14,182	13,232	13,499	13,256
Current portion included in prepayments, deposits and other receivables (<i>note 23</i>)	<u>(950)</u>	<u>(950)</u>	<u>(975)</u>	<u>(975)</u>
Non-current portion	<u>13,232</u>	<u>12,282</u>	<u>12,524</u>	<u>12,281</u>

The Group's leasehold lands are situated in Mainland China and are held under long term leases.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Group's leasehold lands with aggregate net carrying amounts of RMB13,232,000, RMB12,282,000 and RMB11,332,000 and RMB11,094,000, respectively, were pledged to secure bank loan facilities granted to the Group (*note 27*).

Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Carrying amount at beginning of year/period . .	25,070	14,182	13,232	12,282
Amortised during the year/period	(950)	(950)	(950)	(238)
Transfer to the investment property	<u>(9,938)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amount at end of year/period	14,182	13,232	12,282	12,044
Current portion included in prepayments, deposits and other receivables (<i>note 23</i>)	<u>(950)</u>	<u>(950)</u>	<u>(950)</u>	<u>(950)</u>
Non-current portion	<u>13,232</u>	<u>12,282</u>	<u>11,332</u>	<u>11,094</u>

The Company's leasehold lands are situated in Mainland China and are held under long term leases.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Company's leasehold lands with aggregate net carrying amounts of RMB13,232,000, RMB12,282,000, RMB11,332,000 and RMB11,094,000, respectively, were pledged to secure bank loan facilities granted to the Group (note 27).

18. INTANGIBLE ASSETS

Group and Company

	Patent <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2012			
Cost at 1 January 2012, net of accumulated amortisation	—	10	10
Addition	110	—	110
Amortisation provided during the year	<u>(9)</u>	<u>(8)</u>	<u>(17)</u>
At 31 December 2012	<u>101</u>	<u>2</u>	<u>103</u>
At 31 December 2012:			
Cost	110	24	134
Accumulated amortisation	<u>(9)</u>	<u>(22)</u>	<u>(31)</u>
Net carrying amount	<u>101</u>	<u>2</u>	<u>103</u>
31 December 2013			
Cost at 1 January 2013, net of accumulated amortisation	101	2	103
Amortisation provided during the year	<u>(11)</u>	<u>(2)</u>	<u>(13)</u>
At 31 December 2013	<u>90</u>	<u>—</u>	<u>90</u>
At 31 December 2013:			
Cost	110	24	134
Accumulated amortisation	<u>(20)</u>	<u>(24)</u>	<u>(44)</u>
Net carrying amount	<u>90</u>	<u>—</u>	<u>90</u>

	Patent <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2014			
Cost at 1 January 2014, net of accumulated amortisation	90	—	90
Amortisation provided during the year	<u>(11)</u>	<u>—</u>	<u>(11)</u>
At 31 December 2014	<u>79</u>	<u>—</u>	<u>79</u>
At 31 December 2014:			
Cost	110	24	134
Accumulated amortisation	<u>(31)</u>	<u>(24)</u>	<u>(55)</u>
Net carrying amount	<u>79</u>	<u>—</u>	<u>79</u>
31 March 2015			
Cost at 1 January 2015, net of accumulated amortisation	79	—	79
Addition	—	43	43
Amortisation provided during the period	<u>(3)</u>	<u>—</u>	<u>(3)</u>
At 31 March 2015	<u>76</u>	<u>43</u>	<u>119</u>
At 31 March 2015			
Cost	110	67	177
Accumulated amortisation	<u>(34)</u>	<u>(24)</u>	<u>(58)</u>
Net carrying amount	<u>76</u>	<u>43</u>	<u>119</u>

19. INVESTMENTS IN SUBSIDIARIES**Company**

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted shares, at cost	<u>8,787</u>	<u>12,787</u>	<u>20,787</u>	<u>20,787</u>

Particulars of the subsidiaries are set out in note 1.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are disclosed in note 35(c) to the Financial Information.

20. INVENTORIES

Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Raw materials	38,353	41,199	30,268	34,370
Finished goods	<u>3,265</u>	<u>4,823</u>	<u>2,609</u>	<u>2,671</u>
	41,618	46,022	32,877	37,041
Impairment	<u>(2,771)</u>	<u>(2,214)</u>	<u>—</u>	<u>—</u>
	<u>38,847</u>	<u>43,808</u>	<u>32,877</u>	<u>37,041</u>

The movements in provision for impairment of inventories are as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
At beginning of year/period	2,125	2,771	2,214	—
Impairment losses recognised	1,180	12	—	—
Reversal	—	—	(2,214)	—
Written off	<u>(534)</u>	<u>(569)</u>	<u>—</u>	<u>—</u>
At end of year/period	<u>2,771</u>	<u>2,214</u>	<u>—</u>	<u>—</u>

Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Raw materials	36,840	38,579	27,696	31,993
Finished goods	<u>2,597</u>	<u>3,269</u>	<u>96</u>	<u>215</u>
	39,437	41,848	27,792	32,208
Impairment	<u>(2,771)</u>	<u>(2,214)</u>	<u>—</u>	<u>—</u>
	<u>36,666</u>	<u>39,634</u>	<u>27,792</u>	<u>32,208</u>

The movements in provision for impairment of inventories are as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
At beginning of year/period	2,125	2,771	2,214	—
Impairment losses recognised	1,180	12	—	—
Reversal	—	—	(2,214)	—
Written off	(534)	(569)	—	—
	<u>2,771</u>	<u>2,214</u>	<u>—</u>	<u>—</u>
At end of year/period	<u>2,771</u>	<u>2,214</u>	<u>—</u>	<u>—</u>

21. CONSTRUCTION CONTRACTS

Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Gross amounts due from contract customers . . .	187,395	231,462	377,303	437,539
Gross amounts due to contract customers	(91,439)	(104,273)	(98,932)	(95,563)
	<u>95,956</u>	<u>127,189</u>	<u>278,371</u>	<u>341,976</u>
Contract costs incurred plus recognised profits				
less recognised losses to date	1,460,822	2,116,953	3,039,780	3,216,631
Less: progress billings	(1,364,866)	(1,989,764)	(2,761,409)	(2,874,655)
	<u>95,956</u>	<u>127,189</u>	<u>278,371</u>	<u>341,976</u>

The gross amounts due from contract customers for contract works included balances with the holding company of the Company as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
TGL	<u>68,097</u>	<u>7,999</u>	<u>8,669</u>	<u>10,045</u>

Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Gross amounts due from contract customers. . .	180,754	229,120	355,458	416,172
Gross amounts due to contract customers.	<u>(91,439)</u>	<u>(104,173)</u>	<u>(98,305)</u>	<u>(94,342)</u>
	<u>89,315</u>	<u>124,947</u>	<u>257,153</u>	<u>321,830</u>
Contract costs incurred plus recognised profits				
less recognised losses to date	1,431,577	2,074,631	2,907,250	3,079,162
Less: progress billings	<u>(1,342,262)</u>	<u>(1,949,684)</u>	<u>(2,650,097)</u>	<u>(2,757,332)</u>
	<u>89,315</u>	<u>124,947</u>	<u>257,153</u>	<u>321,830</u>

The gross amounts due from contract customers for contract works included balances with the holding company of the Company as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
TGL.	<u>68,097</u>	<u>7,999</u>	<u>8,669</u>	<u>10,045</u>

22. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Trade receivables	239,124	252,728	246,011	207,377
Bills receivable	<u>39,420</u>	<u>85,022</u>	<u>56,207</u>	<u>68,319</u>
	278,544	337,750	302,218	275,696
Impairment	<u>(7,168)</u>	<u>(7,735)</u>	<u>(7,713)</u>	<u>(6,160)</u>
	<u>271,376</u>	<u>330,015</u>	<u>294,505</u>	<u>269,536</u>

The Group's trading terms with its customers are payment in advance normally required from customers. Trade receivables are non-interest-bearing with no credit period. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The Group's bills receivable are all due within six months and are neither past due nor impaired. As at 31 March 2015, the Group's bills receivable of RMB10,970,000 were pledged to secure the Group's bills payable.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Within 1 year	211,878	195,337	188,327	172,826
1 to 2 years	19,798	38,975	42,191	21,925
2 to 3 years	280	10,675	6,928	5,612
Over 3 years	—	6	852	854
	<u>231,956</u>	<u>244,993</u>	<u>238,298</u>	<u>201,217</u>

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
At beginning of year/period	1,652	7,168	7,735	7,713
Impairment losses recognised/(reversed)	5,532	4,257	87	(1,553)
Amount written off as uncollectible	—	(3,690)	(109)	—
Disposal of a subsidiary	(16)	—	—	—
	<u>7,168</u>	<u>7,735</u>	<u>7,713</u>	<u>6,160</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB3,907,000, RMB1,007,000, RMB1,007,000 and RMB1,007,000 with carrying amounts before provision of RMB3,907,000, RMB1,007,000, RMB1,007,000 and RMB1,007,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

The individually impaired trade receivables relate to customers that no longer have transactions with the Group and none of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Neither past due nor impaired	—	—	—	—

Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Trade receivables	232,450	229,314	205,101	169,297
Bills receivable	<u>38,064</u>	<u>83,896</u>	<u>54,325</u>	<u>66,639</u>
	270,514	313,210	259,426	235,936
Impairment	<u>(6,025)</u>	<u>(6,188)</u>	<u>(5,750)</u>	<u>(4,286)</u>
	<u>264,489</u>	<u>307,022</u>	<u>253,676</u>	<u>231,650</u>

The Company's trading terms with its customers payment in advance normally required from customers. Trade receivables are non-interest-bearing with no credit period. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances.

The Company's bills receivable are all due within six months and are neither past due nor impaired. As at 31 March 2015, the Company's bills receivable of RMB10,970,000 were pledged to secure the Company's bills payable.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Within 1 year	207,293	177,291	158,300	145,125
1 to 2 years	19,012	35,795	34,198	14,135
2 to 3 years	120	10,036	6,003	4,899
Over 3 years	—	4	850	852
	<u>226,425</u>	<u>223,126</u>	<u>199,351</u>	<u>165,011</u>

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
At beginning of year/period	452	6,025	6,188	5,750
Impairment losses recognised/(reversed)	5,573	3,853	(329)	(1,464)
Amount written off as uncollectible	—	(3,690)	(109)	—
At end of year/period	<u>6,025</u>	<u>6,188</u>	<u>5,750</u>	<u>4,286</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB2,910,000, nil, nil and nil with carrying amounts before provision of RMB2,910,000, nil, nil and nil as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

The individually impaired trade receivables relate to customers that no longer have transactions with the Company and none of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2015</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at the end of each of the Relevant Periods, the Group and the Company endorsed certain bills receivable accepted by certain banks in the PRC (the “Endorsed Notes”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). Subsequent to the Endorsement, the Group and the Company do not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group and the Company if the PRC banks default (the “Continuing Involvement”). The total carrying amounts of the Endorsed Notes of the Group were RMB62,117,000, RMB133,137,000, RMB71,607,000 and RMB131,237,000 and the Company were RMB62,117,000, RMB133,137,000, RMB69,607,000 and RMB121,370,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. In the opinion of the Directors, the Group and the Company have transferred substantially all the risks and rewards relating to certain Endorsed Notes accepted by large and reputable banks with an amount of the Group of RMB32,504,000, RMB57,663,000, RMB45,150,000 and RMB84,527,000 and of the Company of RMB32,504,000, RMB57,663,000, RMB43,150,000 and RMB76,340,000 (the “Derecognised Notes”) as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. Accordingly, the Group and the Company have derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group’s and the Company’s Continuing Involvement in these Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group’s and the Company’s Continuing Involvement in these Derecognised Notes are not significant. The Group and the Company continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables settled with an amount of the Group of RMB29,613,000, RMB75,474,000, RMB26,457,000 and RMB46,710,000 and of the Company of RMB29,613,000, RMB75,474,000, RMB26,457,000 and RMB45,030,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively, because the Directors believe that the Group and the Company have retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

During the Relevant Periods, the Group and the Company have not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during each of the Relevant Periods or cumulatively. The Endorsement has been made evenly throughout the Relevant Periods.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Other receivables	13,803	26,122	25,511	26,334
Prepayments	24,126	17,488	29,861	32,853
Current portion of prepaid land lease payments (note 17)	950	950	975	975
	38,879	44,560	56,347	60,162
Impairment	(167)	(305)	(791)	(721)
	<u>38,712</u>	<u>44,255</u>	<u>55,556</u>	<u>59,441</u>

Other receivables are non-interest-bearing, unsecured and repayable on demand.

The movements in provision for impairment of other receivables are as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
At beginning of year/period	82	167	305	791
Impairment losses recognised/(reversed)	85	138	487	(70)
Amount written off as uncollectible	—	—	(1)	—
	<u>167</u>	<u>305</u>	<u>791</u>	<u>721</u>

Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Other receivables	14,006	25,952	25,279	26,022
Prepayments	20,753	14,036	28,620	29,388
Current portion of prepaid land lease payments (note 17)	<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>
	35,709	40,938	54,849	56,360
Impairment	<u>(154)</u>	<u>(263)</u>	<u>(714)</u>	<u>(708)</u>
	<u>35,555</u>	<u>40,675</u>	<u>54,135</u>	<u>55,652</u>

Other receivables are non-interest-bearing, unsecured and repayable on demand.

The movements in provision for impairment of other receivables are as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
At beginning of year/period	47	154	263	714
Impairment losses recognised/(reversed)	<u>107</u>	<u>109</u>	<u>451</u>	<u>(6)</u>
	<u>154</u>	<u>263</u>	<u>714</u>	<u>708</u>

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Cash and bank balances	5,912	15,168	3,285	5,728
Pledged deposits - current	27,885	20,984	16,188	14,124
Pledged deposits - non-current	<u>14,098</u>	<u>21,304</u>	<u>42,652</u>	<u>47,865</u>
	47,895	57,456	62,125	67,717
Less: Pledged time deposits:				
Pledged for bills payable (<i>note 25</i>)	(14,000)	—	—	—
Pledged for bank guarantees	<u>(27,983)</u>	<u>(42,288)</u>	<u>(58,840)</u>	<u>(61,989)</u>
Cash and cash equivalents	<u>5,912</u>	<u>15,168</u>	<u>3,285</u>	<u>5,728</u>

Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Cash and bank balances	5,351	14,993	2,900	5,320
Pledged deposits - current	27,072	20,984	15,858	13,794
Pledged deposits - non-current	<u>14,098</u>	<u>21,304</u>	<u>42,652</u>	<u>47,865</u>
	46,521	57,281	61,410	66,979
Less: Pledged time deposits:				
Pledged for bills payable (<i>note 25</i>)	(14,000)	—	—	—
Pledged for bank guarantees	<u>(27,170)</u>	<u>(42,288)</u>	<u>(58,510)</u>	<u>(61,659)</u>
Cash and cash equivalents	<u>5,351</u>	<u>14,993</u>	<u>2,900</u>	<u>5,320</u>

As at 31 December 2012, 2013 and 2014 and 31 March 2015, cash and bank balances and pledged deposits denominated in RMB of the Group were RMB47,895,000, RMB57,456,000, RMB62,125,000 and RMB67,717,000 and of the Company were RMB46,521,000, RMB57,281,000, RMB61,410,000 and RMB66,979,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank guarantees are performance guarantee and made for varying periods ranging from several months to four years depending on the agreement of the contract, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Trade payables	129,574	224,164	232,841	248,792
Bills payable	<u>35,000</u>	<u>—</u>	<u>—</u>	<u>10,970</u>
	<u>164,574</u>	<u>224,164</u>	<u>232,841</u>	<u>259,762</u>

The bills payable were secured by the pledge of the Group's time deposits of RMB14,000,000, nil, nil and nil as at 31 December 2012, 2013 and 2014 and 31 March 2015. The bills payable as at 31 March 2015 were secured by the pledge of the Group's bills receivable of RMB10,970,000 (note 22).

An aged analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Within 3 months	91,597	162,526	180,715	150,300
3 to 12 months	64,499	48,383	42,314	98,077
12 to 24 months	8,478	12,852	9,795	9,901
Over 24 months	<u>—</u>	<u>403</u>	<u>17</u>	<u>1,484</u>
	<u>164,574</u>	<u>224,164</u>	<u>232,841</u>	<u>259,762</u>

Trade payables are non-interest-bearing and have an average credit term of six months.

Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Trade payables	121,801	213,694	192,848	217,050
Bills payable	<u>35,000</u>	<u>—</u>	<u>—</u>	<u>10,970</u>
	<u>156,801</u>	<u>213,694</u>	<u>192,848</u>	<u>228,020</u>

The bills payable were secured by the pledge of the Company's time deposits of RMB14,000,000, nil, nil and nil as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively (note 24). The bills payable as at 31 March 2015 were secured by the pledge of the Group's bills receivable of RMB10,970,000 (note 22).

An aged analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Within 3 months	87,389	155,373	143,988	129,489
3 to 12 months	64,055	46,467	40,109	87,900
12 to 24 months	5,357	11,854	8,751	9,243
Over 24 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,388</u>
	<u>156,801</u>	<u>213,694</u>	<u>192,848</u>	<u>228,020</u>

Trade payables are non-interest-bearing and have an average credit term of six months.

26. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Advances from customers	20,363	32,896	74,120	86,495
Other payables	26,497	33,490	57,747	50,838
Accruals	<u>364</u>	<u>282</u>	<u>345</u>	<u>424</u>
	<u>47,224</u>	<u>66,668</u>	<u>132,212</u>	<u>137,757</u>

Other payables are non-interest-bearing and have an average term of three months.

Company

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Advances from customers	12,315	28,289	70,244	81,770
Other payables	24,576	30,366	52,620	46,219
Accruals	<u>364</u>	<u>282</u>	<u>345</u>	<u>424</u>
	<u>37,255</u>	<u>58,937</u>	<u>123,209</u>	<u>128,413</u>

Other payables are non-interest-bearing and have an average term of three months.

27. INTEREST-BEARING BANK BORROWINGS

Group and Company

	Effective interest rate (%)	Maturity	As at 31 December			As at
			2012	2013	2014	31 March 2015
			RMB'000	RMB'000	RMB'000	RMB'000
Current						
Bank loans — secured . .	6.96	Within 1 year	63,000	—	21,000	13,000
Bank loans — secured . .	5.88	Within 1 year	30,000	—	—	—
Bank loans — secured . .	6.94	Within 1 year	20,000	—	—	—
Bank loans — secured . .	7.20	Within 1 year	10,000	—	20,000	20,000
Bank loans — secured . .	6.96	Within 1 year	—	78,000	—	—
Bank loans — secured . .	6.30	Within 1 year	—	50,000	50,000	50,000
Bank loans — secured . .	6.60	Within 1 year	—	10,000	40,000	40,000
Bank loans — secured . .	6.44	Within 1 year	—	—	38,000	46,000
Bank loans — secured . .	4.80	Within 1 year	—	—	4,000	5,043
			<u>123,000</u>	<u>138,000</u>	<u>173,000</u>	<u>174,043</u>
Analysed into:						
Bank loans repayable within one year			<u>123,000</u>	<u>138,000</u>	<u>173,000</u>	<u>174,043</u>

Notes:

(a) The Group's and the Company's bank borrowings are secured by:

- (i) the Group's and the Company's buildings situated in Mainland China, which had aggregate net carrying values of RMB11,542,000, RMB10,290,000, RMB9,330,000 and RMB9,090,026 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively (note 15);
- (ii) the Group's and the Company's investment property situated in Mainland China, which had aggregate net carrying values of RMB19,380,000, RMB18,425,000, RMB17,470,000 and RMB17,231,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively (note 16);
- (iii) the Group's and the Company's leasehold lands situated in Mainland China, which had aggregate net carrying values of RMB13,232,000, RMB12,282,000, RMB11,332,000 and RMB11,094,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively (note 17);
- (iv) mortgages over leasehold lands situated in Mainland China of 天潔集團湖北置業有限公司 ("Hubei Zhiye"), a related company; and
- (v) mortgages over leasehold lands situated in Mainland China of 諸暨市潤天物業管理有限公司 Zhujì City Runtian Property Management Ltd. ("Zhujì Runtian"), a related company.

- (b) The Company's holding company, TGL, has guaranteed certain of the Group's and the Company's bank loans of up to RMB140,000,000, RMB140,000,000 and RMB 44,000,000 and RMB44,000,000 as at 31 December 2012, 2013, 2014 and 31 March 2015, respectively.
- (c) 海亮集團有限公司, 浙江盾安精工集團有限公司 and 雄風集團有限公司, independent third parties, have guaranteed certain of the Group's and the Company's bank loans of up to RMB40,000,000, RMB135,200,000, RMB118,000,000 and RMB118,000,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.
- (d) The chairman of the Board, Bian Yu, has guaranteed certain of the Group's and the Company's bank loans of up to RMB35,000,000, RMB35,000,000, nil and nil as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.
- (e) A director, Bian Jianguang, has guaranteed certain of the Group's and the Company's bank loans of up to nil, RMB50,000,000, RMB116,000,000 and RMB116,000,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

28. DEFERRED TAX

Group

Deferred tax assets

	Impairment of other receivables <i>RMB'000</i>	Impairment of trade receivables <i>RMB'000</i>	Impairment of inventories <i>RMB'000</i>	Accruals <i>RMB'000</i>	Provision <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2012	21	413	531	84	536	1,585
Deferred tax credited to profit or loss during the year	21	1,383	161	996	231	2,792
Disposal of a subsidiary (<i>note 31</i>) . . .	—	(4)	—	(477)	(33)	(514)
Deferred tax as at 31 December 2012 and 1 January 2013.	42	1,792	692	603	734	3,863
Deferred tax credited/(charged) to profit or loss during the year	34	142	(138)	2,864	366	3,268
Deferred tax as at 31 December 2013 and 1 January 2014.	76	1,934	554	3,467	1,100	7,131
Deferred tax credited/(charged) to profit or loss during the year	121	(6)	(554)	8,142	(43)	7,660
Deferred tax as at 31 December 2014 and 1 January 2015.	197	1,928	—	11,609	1,057	14,791
Deferred tax charged to profit or loss during the period	(17)	(388)	—	99	(84)	(390)
Deferred tax as at 31 March 2015 . . .	180	1,540	—	11,708	973	14,401

Company

Deferred tax assets

	Impairment of other receivables <i>RMB'000</i>	Impairment of trade receivables <i>RMB'000</i>	Impairment of inventories <i>RMB'000</i>	Accruals <i>RMB'000</i>	Provision <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2012	12	113	531	82	414	1,152
Deferred tax credited/(charged) to profit or loss during the year	<u>26</u>	<u>1,393</u>	<u>162</u>	<u>(54)</u>	<u>272</u>	<u>1,799</u>
Deferred tax as at 31 December 2012 and 1 January 2013	38	1,506	693	28	686	2,951
Deferred tax credited/(charged) to profit or loss during the year	<u>28</u>	<u>41</u>	<u>(139)</u>	<u>1,289</u>	<u>265</u>	<u>1,484</u>
Deferred tax as at 31 December 2013 and 1 January 2014	66	1,547	554	1,317	951	4,435
Deferred tax credited/(charged) to profit or loss during the year	<u>112</u>	<u>(109)</u>	<u>(554)</u>	<u>4,259</u>	<u>58</u>	<u>3,766</u>
Deferred tax as at 31 December 2014 and 1 January 2015	<u>178</u>	<u>1,438</u>	<u>—</u>	<u>5,576</u>	<u>1,009</u>	<u>8,201</u>
Deferred tax charged to profit or loss during the period	<u>(1)</u>	<u>(366)</u>	<u>—</u>	<u>(1,268)</u>	<u>(71)</u>	<u>(1,706)</u>
Deferred tax as at 31 March 2015	<u>177</u>	<u>1,072</u>	<u>—</u>	<u>4,308</u>	<u>938</u>	<u>6,495</u>

The Group has tax losses arising in Mainland China of nil, RMB132,000, RMB568,000 and RMB604,000, respectively, as at 31 December 2012, 2013 and 2014 and 31 March 2015, that will expire in one to five years for offsetting against taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

29. SHARE CAPITAL**Group and Company**

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
Registered, issued and fully paid:				RMB'000
100,000,000 shares of RMB1.00 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

30. RESERVES**Group**

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity of the Financial Information.

Capital reserve

On 14 March 2012, TGL transferred its 100% equity interest in Yuanteng Logistics to the Company for a total cash consideration of RMB1,000,000 which has been accounted for by the Company as a deemed contribution.

Statutory surplus reserve

Pursuant to the PRC Company Law and the respective entities' articles of association, the Company and its subsidiaries established in the PRC shall appropriate 10% of their annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory surplus reserve until such reserve fund reaches 50% of the share capital of these entities. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve must be maintained at a minimum of 25% of the share capital after usage.

Safety production reserve

Pursuant to the regulation of Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises in the PRC relating to the construction industry, a subsidiary of the Group, Tianjie Installation Engineering, is required to transfer an amount to the reserve account as safety production reserve. The amount is calculated based on the revenue of construction each year and at the applicable rate of 2%. The safety production reserve will be used for modification and maintenance of safety equipment in accordance with the rules of the Company Law of the PRC and is not available for distribution to shareholders.

Company

	Capital reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2012	2,287	5,888	52,927	61,102
Profit and total comprehensive income for the year	—	—	24,107	24,107
Acquisition of a subsidiary under common control	1,016	—	—	1,016
Appropriation to statutory surplus reserve	<u>—</u>	<u>2,409</u>	<u>(2,409)</u>	<u>—</u>
At 31 December 2012 and 1 January 2013	3,303	8,297	74,625	86,225
Profit and total comprehensive income for the year	—	—	24,049	24,049
Appropriation to statutory surplus reserve	<u>—</u>	<u>2,405</u>	<u>(2,405)</u>	<u>—</u>
At 31 December 2013 and 1 January 2014	3,303	10,702	96,269	110,274
Profit and total comprehensive income for the year	—	—	74,083	74,083
Dividends declared	—	—	(50,000)	(50,000)
Appropriation to statutory surplus reserve	<u>—</u>	<u>7,408</u>	<u>(7,408)</u>	<u>—</u>
At 31 December 2014 and 1 January 2015	<u>3,303</u>	<u>18,110</u>	<u>112,944</u>	<u>134,357</u>
Profit and total comprehensive income for the period	—	—	16,677	16,677
Appropriation to statutory surplus reserve	—	—	—	—
At 31 March 2015	<u>3,303</u>	<u>18,110</u>	<u>129,621</u>	<u>151,034</u>
At 31 December 2013 and 1 January 2014	<u>3,303</u>	<u>10,702</u>	<u>96,269</u>	<u>110,274</u>
Profit and total comprehensive income for the period	—	—	7,421	7,421
Appropriation to statutory surplus reserve	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2014 (Unaudited)	<u>3,303</u>	<u>10,702</u>	<u>103,690</u>	<u>117,695</u>

31. DISPOSAL OF A SUBSIDIARY

On 23 November 2012, the Group disposed of its 100% equity interest in Yuanteng Logistics to a related company, TuoYu Renewable, for a total cash consideration of RMB1,000,000. The transaction was completed on 25 December 2012. The related assets and liabilities of the subsidiary disposed of as at the disposal date are as follows:

	Notes	RMB'000
<i>Net assets disposed of:</i>		
Property, plant and equipment	15	5
Deferred tax assets	28	514
Trade and bills receivables		993
Due from a related party		1,693
Cash and bank balances		21
Trade and bills payables		(832)
Tax payable		(871)
Advances from customers, other payables and accruals		<u>(2,225)</u>
		(702)
Gain on disposal of a subsidiary	5	<u>1,702</u>
		<u>1,000</u>
<i>Satisfied by:</i>		
Cash		<u><u>1,000</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2012 RMB'000
Cash consideration	1,000
Cash and bank balances disposed of	<u>(21)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u><u>979</u></u>

32. PLEDGE OF ASSETS

Details of the Group's bank borrowings and bills payable, which are secured by the assets of the Group, are included in notes 15, 16, 17, 24, 25 and 27 to the Financial Information.

33. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases its investment property (note 16) under operating lease arrangements, with lease terms of three years.

At the end of each of the Relevant Periods, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,085	1,085	1,085	1,085
In the second to fifth years, inclusive	<u>4,339</u>	<u>3,254</u>	<u>2,169</u>	<u>2,169</u>
	<u>5,424</u>	<u>4,339</u>	<u>3,254</u>	<u>3,254</u>

(b) As lessee

The Group leases certain of its warehouse, office properties and motor vehicles under operating lease arrangements. Leases for the warehouse are negotiated for terms ranging from one to ten years, and those for office properties and motor vehicles are for one year.

At the end of each of the Relevant Periods, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	6,031	4,094	3,684	3,684
In the second to fifth years, inclusive	13,080	11,303	8,035	8,035
After five years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>19,111</u>	<u>15,397</u>	<u>11,719</u>	<u>11,719</u>

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33(b) above, the Group and the Company had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Contracted, but not provided for:				
Plant and machinery	—	4,000	593	182
	<u>—</u>	<u>4,000</u>	<u>593</u>	<u>182</u>
Authorised, but not contracted for:				
Plant and machinery	—	—	9,100	9,100
	<u>—</u>	<u>—</u>	<u>9,100</u>	<u>9,100</u>

35. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
浙江天潔通用機械有限公司 ("Tianjie General Machinery") ⁽ⁱ⁾	Fellow subsidiary
浙江天潔新材料有限公司 ("Tianjie New Materials")	Fellow subsidiary
浙江天潔特鋼有限公司 ("Tianjie Special Steel") ⁽ⁱⁱ⁾	Fellow subsidiary
浙江天潔置業有限公司 ("Tianjie Zhiye")	Fellow subsidiary
浙江天潔磁性材料股份有限公司 ("Tianjie Cixingcailiao")	Joint venture of the holding company
江西晨宇鋁業有限公司 ("Chenyu Lvy")	Fellow subsidiary
浙江嘉盛新材料有限公司 ("Zhejiang Jiasheng")	Fellow subsidiary
余江縣晨宇廢舊金屬有限公司 ("Yujiang Jinshu")	Key management are beneficial equity holders

Name	Relationship with the Company
Tuoyu Renewable	Directors' close family members are beneficial equity holders
Yuanteng Logistics ⁽ⁱⁱⁱ⁾	Directors' close family members are beneficial equity holders
浙江遠騰實業集團有限公司 ("Yuanteng Shiye")	Directors' close family members are beneficial equity holders
諸暨市天宇實業投資有限公司 ("Tianyu Industry")	Fellow subsidiary
Zhuji Runtian	Fellow subsidiary
Hubei Zhiye	Fellow subsidiary
Bian Jianguang	Director
Chen Jianguo	Key management
Wang Xiaoxia	Chen Jianguo's wife
Bian Yu	Executive director and chairman of the Board

Notes:

- (i) 浙江天潔風電設備製造有限公司 was renamed to 浙江天潔通用機械有限公司 in 2012.
- (ii) 浙江耀宇特鋼有限公司 was renamed to 浙江天潔特鋼有限公司 in 2013.
- (iii) Yuanteng Logistics was renamed from 諸暨市天潔物流有限公司 to 諸暨市遠騰物流有限公司 in 2014.
- (a) In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Relevant Periods and the three months ended 31 March 2014:

Notes	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>					
Transactions with the holding company					
Revenue from construction contracts . . . (i)	162,279	30,570	2,699	1,794	920
Sales of materials (ii)	9,590	14,930	1,041	646	—
Purchases of materials (ii)	2,514	3,751	2,515	1,752	—
Rental expense (vi)	3,398	3,278	3,523	819	879
Provision of transportation services . . . (i)	126	—	—	—	—
Loans received from the holding company (iv)	85,320	103,834	83,554	—	—
Repayment of loans from the holding company	83,320	106,000	83,554	—	—

	Notes	Year ended 31 December			Three months ended 31 March	
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000	2015 RMB'000
Advances from the holding company . . . (v)		102,301	24,781	16,194	1,331	—
Interest expense (v)		2,980	365	80	10	—
Electric charges paid by the holding company on behalf of the Group . . . (vii)		4,783	2,498	3,353	828	848
Transaction with other related parties						
Sales of materials:						
Tianjie New Materials (ii)		2,234	2,313	574	93	—
Tianjie General Machinery (ii)		2,380	1,887	104	19	—
Chenyu Lvye (ii)		15	43	—	—	—
Tianjie Special Steel (ii)		1,447	579	2,609	—	471
Tianjie Cixingcailiao (ii)		38	75	1	—	—
Tianjie Zhiye (ii)		19	147	—	—	—
Zhejiang Jiasheng (ii)		402	821	11	11	—
Tianyu Industry (ii)		—	—	942	—	—
Purchase of materials:						
Tianjie New Materials (ii)		13,864	10,282	5,745	430	—
Chenyu Lvye (ii)		2,011	1,345	240	—	—
Tianjie Cixingcailiao (ii)		30	33	33	—	—
Tianjie Special Steel (ii)		27	7	—	—	—
Tianjie General Machinery (ii)		—	222	725	—	27
Yuanteng Shiye (ii)		—	—	—	—	84
Provision of services:						
Tianjie New Materials (i)		585	—	21	—	—
Tianjie General Machinery (i)		—	—	60	—	—
Tianjie Cixingcailiao (i)		33	—	117	19	—
Tianjie Zhiye (i)		—	—	31	11	—
Services received:						
Tianjie General Machinery (iii)		2,275	4,964	14,476	1,045	1,475
Yuanteng Logistics (iii)		—	2,123	660	187	74
Rental income:						
Tianjie New Materials (vi)		1,085	1,085	1,085	271	271
Rental expense:						
Zhejiang Jiasheng (vi)		—	167	500	125	125

	Notes	Year ended 31 December			Three months ended 31 March	
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000	2015 RMB'000
Payment by related parties on behalf of the Group:						
Chen Jianguo (vii)		4,353	—	—	—	—
Wang Xiaoxia (vii)		3,479	12,094	8,144	2,703	—
Zhejiang Jiasheng (vii)		—	288	288	28	239

(Unaudited)

Notes:

- (i) The provision of construction services, transportation services and processing services to the related parties was made based on mutually agreed prices and terms.
- (ii) The sales of materials to the related parties and purchases of materials from the related parties were made at cost.
- (iii) The services received from the related parties were based on mutually agreed prices and terms.
- (iv) The loans were repayable within one month, unsecured and interest-free.
- (v) The advances from the holding company were unsecured, bore interest at 6.56%, 6.56%, 6.00% as at 31 December 2012, 2013 and 2014, respectively, and had no fixed terms of repayment.
- (vi) The rental fee was charged and the rental income was received based on mutually agreed prices.
- (vii) The payments were made on behalf of the Group based on the actual costs incurred.
- (b) Other transactions with related parties:
- (1) TGL has guaranteed certain of the Group's bank loans of up to RMB140,000,000, RMB140,000,000, RMB44,000,000 and RMB44,000,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.
 - (2) Hubei Zhiye pledged its leasehold lands for certain of the Group's bank loans of up to RMB100,000,000, RMB120,000,000, nil and nil as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.
 - (3) A director, Bian Jianguang, has guaranteed certain of the Group's bank loans of up to nil, RMB50,000,000, RMB116,000,000 and RMB116,000,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.
 - (4) The chairman of the Board, Bian Yu, has guaranteed certain of the Group's bank loans of up to RMB35,000,000, RMB35,000,000, nil and nil as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.
 - (5) Zhuji Runtian pledged its leasehold lands for certain of the Group's bank loans of up to nil, RMB120,000,000, RMB120,000,000 and RMB120,000,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.
 - (6) In 2012, the Group disposed of a subsidiary, Yuanteng Logistics, to a related company, TuoYu Renewable, for a consideration of RMB1,000,000. Further details of the transaction are included in note 31 to the Financial Information.

(c) Outstanding balances with related parties:

Group

	Notes	As at 31 December			As at
		2012	2013	2014	31 March
		RMB'000	RMB'000	RMB'000	2015
					RMB'000
Due from the holding company:					
TGL	(ii)	<u>419</u>	<u>1,289</u>	<u>—</u>	<u>—</u>
Due from related companies:					
Tianjie New Materials	(i)	—	111	—	—
Chenyu Lvye	(i)	533	—	—	—
Zhejiang Jiasheng	(i)	402	195	277	19
Tianjie Special Steel	(i)	—	52	204	312
Tianjie General Machinery	(i)	<u>—</u>	<u>229</u>	<u>—</u>	<u>—</u>
		<u>935</u>	<u>587</u>	<u>481</u>	<u>331</u>
Due from a related party:					
Wang Xiaoxia	(i)	<u>2,316</u>	<u>—</u>	<u>—</u>	<u>—</u>
Maximum amounts due from related companies during the year/period:					
Tianjie New Materials	(i)	4,771	569	1,580	—
Wang Xiaoxia	(i)	2,316	—	12,549	—
Chenyu Lvye	(i)	814	533	—	—
Zhejiang Jiasheng	(i)	402	81	439	215
Tianjie Special Steel	(i)	734	317	1,247	443
Tianyu Industry	(i)	—	—	1,102	—
Tianjie Zhiye	(i)	17	168	24	—
Tianjie General Machinery	(i)	1,399	—	11	—
Tengy Cixingcailiao	(i)	<u>45</u>	<u>81</u>	<u>81</u>	<u>—</u>
		<u>10,498</u>	<u>1,749</u>	<u>17,033</u>	<u>658</u>
Due to the holding company:					
TGL	(ii)	<u>11,644</u>	<u>1,379</u>	<u>1,132</u>	<u>6,199</u>

	Notes	As at 31 December			As at
		2012	2013	2014	31 March
		RMB'000	RMB'000	RMB'000	2015
					RMB'000
Due to related companies:					
Tianjie Special Steel	(i)	307	25	—	—
Tianjie New Materials	(i)	2,813	4,630	—	—
Tianjie General Machinery	(i)	2,483	1,573	5,802	7,192
Yuanteng Logistics	(i)	1,693	33	348	431
Chenyu Lvye	(i)	—	600	228	228
Zhejiang Jiasheng	(i)	—	488	—	—
		<u>7,296</u>	<u>7,349</u>	<u>6,378</u>	<u>7,851</u>

Due to related parties:

Chen Jianguo	(i)	489	415	—	—
Wang Xiaoxia	(i)	—	570	538	—
		<u>489</u>	<u>985</u>	<u>538</u>	<u>—</u>

Company

	Notes	As at 31 December			As at
		2012	2013	2014	31 March
		RMB'000	RMB'000	RMB'000	2015
					RMB'000
Due from subsidiaries:					
Tianjie Installation Engineering	(i)	—	1,558	10,720	16,635
Turpan Environmental	(i)	—	95	1,837	2,508
		<u>—</u>	<u>1,653</u>	<u>12,557</u>	<u>19,143</u>
Due from related companies:					
Zhejiang Jiasheng	(i)	—	—	277	19
Tianjie Special Steel	(i)	—	—	204	312
Chenyu Lvye	(i)	533	—	—	—
		<u>533</u>	<u>—</u>	<u>481</u>	<u>331</u>
Due to the holding company:					
TGL	(ii)	11,150	905	1,032	6,178

APPENDIX I
ACCOUNTANTS' REPORT

	Notes	As at 31 December			As at
		2012	2013	2014	31 March
		RMB'000	RMB'000	RMB'000	2015
					RMB'000
Due to subsidiaries:					
Tianjie Installation Engineering	(i)	5,056	—	—	—
Tianjie Electronic and Technology	(i)	3,959	2,253	5,863	3,458
		<u>9,015</u>	<u>2,253</u>	<u>5,863</u>	<u>3,458</u>
Due to related companies:					
Tianjie New Materials	(i)	2,813	4,630	—	—
Tianjie General Machinery	(i)	2,482	1,573	5,784	7,165
Yuanteng Logistics	(i)	1,693	33	348	431
Tianjie Special Steel	(i)	307	25	—	—
Chenyu Lvye	(i)	—	600	228	228
Zhejiang Jiasheng	(i)	—	488	—	—
		<u>7,295</u>	<u>7,349</u>	<u>6,360</u>	<u>7,824</u>

Notes:

- (i) The balances were unsecured and non-interest-bearing and had no fixed terms of repayment.
- (ii) The trade balances were unsecured, interest-free and had no fixed terms of repayment. The non-trade balances were unsecured, interest-bearing at 6.56%, 6.56%, 6.00% for outstanding balances aged over one month during the years ended 31 December 2012, 2013 and 2014, respectively, except for outstanding loan balances which were repayable within one month and interest-free.
- (d) Compensation of key management personnel of the Group:

		Three months ended				
		Year ended 31 December			31 March	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
Short term employee benefits	713	737	1,171	212	291	
Pension scheme contributions	<u>52</u>	<u>42</u>	<u>75</u>	<u>15</u>	<u>17</u>	
Total compensation paid to key management personnel	<u>765</u>	<u>779</u>	<u>1,246</u>	<u>227</u>	<u>308</u>	

Further details of directors' and the chairman of the Board's emoluments are included in note 8 to the Financial Information.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group*Financial assets*

	31 December 2012
	Loans and receivables
	<i>RMB'000</i>
Trade and bills receivables	271,376
Financial assets included in prepayments, deposits and other receivables	13,636
Due from the holding company	419
Due from related companies	935
Due from a related party	2,316
Pledged deposits - current	27,885
Pledged deposits - non-current	14,098
Cash and cash equivalents	<u>5,912</u>
	<u><u>336,577</u></u>
	31 December 2013
	Loans and receivables
	<i>RMB'000</i>
Trade and bills receivables	330,015
Financial assets included in prepayments, deposits and other receivables	25,817
Due from the holding company	1,289
Due from related companies	587
Pledged deposits - current	20,984
Pledged deposits - non-current	21,304
Cash and cash equivalents	<u>15,168</u>
	<u><u>415,164</u></u>

	31 December 2014
	Loans and receivables
	<i>RMB'000</i>
Trade and bills receivables	294,505
Financial assets included in prepayments, deposits and other receivables	24,720
Due from related companies	481
Pledged deposits - current	16,188
Pledged deposits - non-current	42,652
Cash and cash equivalents	<u>3,285</u>
	<u><u>381,831</u></u>

	31 March 2015
	Loans and receivables
	<i>RMB'000</i>
Trade and bills receivables	269,536
Financial assets included in prepayments, deposits and other receivables	25,613
Due from related companies	331
Due from a related party	—
Pledged deposits - current	14,124
Pledged deposits - non-current	47,865
Cash and cash equivalents	<u>5,728</u>
	<u><u>363,197</u></u>

Financial liabilities at amortised cost

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	164,574	224,164	232,841	259,762
Financial liabilities included in advances from customers, other payables and accruals	4,288	12,138	10,104	5,981
Interest-bearing bank borrowings	123,000	138,000	173,000	174,043
Due to the holding company	11,644	1,379	1,132	6,199
Due to related companies	7,296	7,349	6,378	7,851
Due to related parties	<u>489</u>	<u>985</u>	<u>538</u>	<u>—</u>
	<u><u>311,291</u></u>	<u><u>384,015</u></u>	<u><u>423,993</u></u>	<u><u>453,836</u></u>

Company

Financial assets

	31 December 2012
	Loans and receivables
	<i>RMB'000</i>
Trade and bills receivables	264,489
Financial assets included in prepayments, deposits and other receivables	13,852
Due from related companies	533
Pledged deposits - current	27,072
Pledged deposits - non-current	14,098
Cash and cash equivalents	<u>5,351</u>
	<u><u>325,395</u></u>

	31 December 2013
	Loans and receivables
	<i>RMB'000</i>
Trade and bills receivables	307,022
Financial assets included in prepayments, deposits and other receivables	25,689
Due from subsidiaries	1,653
Pledged deposits - current	20,984
Pledged deposits - non-current	21,304
Cash and cash equivalents	<u>14,993</u>
	<u><u>391,645</u></u>

	31 December 2014
	Loans and receivables
	<i>RMB'000</i>
Trade and bills receivables	253,676
Financial assets included in prepayments, deposits and other receivables	24,565
Due from subsidiaries	12,557
Due from related companies	481
Pledged deposits - current	15,858
Pledged deposits - non-current	42,652
Cash and cash equivalents	<u>2,900</u>
	<u><u>352,689</u></u>

31 March 2015
Loans and receivables
RMB'000

Trade and bills receivables	231,650
Financial assets included in prepayments, deposits and other receivables	25,314
Due from subsidiaries	19,143
Due from related companies	331
Pledged deposits - current	13,794
Pledged deposits - non-current	47,865
Cash and cash equivalents	<u>5,320</u>
	<u><u>343,417</u></u>

Financial liabilities at amortised cost

	As at 31 December			As at
	2012	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	156,801	213,694	192,848	228,020
Financial liabilities included in advances from customers, other payables and accruals	4,283	11,716	9,377	5,680
Interest-bearing bank borrowings	123,000	138,000	173,000	174,043
Due to the holding company	11,150	905	1,032	6,178
Due to subsidiaries	9,015	2,253	5,863	3,458
Due to related companies	<u>7,295</u>	<u>7,349</u>	<u>6,360</u>	<u>7,824</u>
	<u><u>311,544</u></u>	<u><u>373,917</u></u>	<u><u>388,480</u></u>	<u><u>425,203</u></u>

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advances from customers, other payables and accruals, interest-bearing bank borrowings, amounts due from/to the holding company, subsidiaries, related companies and related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The

corporate finance team reports directly to the financial controller. At 31 December 2012, 2013 and 2014 and 31 March 2015, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller.

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

Assets and liabilities measured at fair value:

The Group and the Company did not have any financial assets and financial liabilities measured at fair value as at 31 December 2012, 2013 and 2014 and 31 March 2015.

Assets and liabilities for which fair values are disclosed:

The Group and the Company did not have any financial assets and financial liabilities disclosed at fair value as at 31 December 2012, 2013 and 2014 and 31 March 2015.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, amounts due from/to the holding company, related companies and parties, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. Some of these interest-bearing bank and other borrowings were obtained at floating interest rates, which have exposed the Group to interest rate risk. The interest rates and terms of repayment of borrowings are disclosed in note 27 above.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax <i>RMB'000</i>
Year ended 31 December 2012		
RMB	100	(213)
RMB	(100)	213
Year ended 31 December 2013		
RMB	100	(302)
RMB	(100)	302
Year ended 31 December 2014		
RMB	100	(294)
RMB	(100)	294
Three months ended 31 March 2015		
RMB	100	(204)
RMB	(100)	204

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 2.5%, 0.7%, 3.2% and 5.0% of the Group's sales for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively, were denominated in currencies other than the functional currencies of the operating units making the sale. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2012		
If RMB weakens against US\$	5	72
If RMB strengthens against US\$	(5)	(72)
Year ended 31 December 2013		
If RMB weakens against US\$	5	107
If RMB strengthens against US\$	(5)	(107)
Year ended 31 December 2014		
If RMB weakens against US\$	5	143
If RMB strengthens against US\$	(5)	(143)
Three months ended 31 March 2015		
If RMB weakens against US\$	5	94
If RMB strengthens against US\$	(5)	(94)

Credit risk

The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chairman.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, amounts due from the holding company, related companies and a related party and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and prepayments, deposits and other receivables are disclosed in notes 22 and 23, respectively, to the Financial Information.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	31 December 2012					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Trade and bills payables . . .	72,976	91,598	—	—	—	164,574
Financial liabilities included in advances from customers, other payables and accruals	539	3,726	23	—	—	4,288
Interest-bearing bank borrowings	—	—	123,000	—	—	123,000
Due to the holding company	1,758	9,886	—	—	—	11,644
Due to related companies . . .	—	7,296	—	—	—	7,296
Due to related parties	—	489	—	—	—	489
	<u>75,273</u>	<u>112,995</u>	<u>123,023</u>	<u>—</u>	<u>—</u>	<u>311,291</u>

	31 December 2013					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Trade and bills payables . . .	61,638	162,526	—	—	—	224,164
Financial liabilities included in advances from customers, other payables and accruals	149	11,950	39	—	—	12,138
Interest-bearing bank borrowings	—	48,000	90,000	—	—	138,000
Due to the holding company	—	1,379	—	—	—	1,379
Due to related companies . . .	—	7,349	—	—	—	7,349
Due to related parties	—	985	—	—	—	985
	<u>61,787</u>	<u>232,189</u>	<u>90,039</u>	<u>—</u>	<u>—</u>	<u>384,015</u>

	31 December 2014					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Trade and bills payables . . .	52,126	180,715	—	—	—	232,841
Financial liabilities included in advances from customers, other payables and accruals	251	9,817	36	—	—	10,104
Interest-bearing bank borrowings	—	8,000	165,000	—	—	173,000
Due to the holding company	574	558	—	—	—	1,132
Due to related companies . . .	419	5,959	—	—	—	6,378
Due to related parties	538	—	—	—	—	538
	<u>53,908</u>	<u>205,049</u>	<u>165,036</u>	<u>—</u>	<u>—</u>	<u>423,993</u>

	31 March 2015					Total RMB'000
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Over 3 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and bills payables . . .	109,461	150,301	—	—	—	259,762
Financial liabilities included in advances from customers, other payables and accruals	2,624	3,309	48	—	—	5,981
Interest-bearing bank borrowings	—	10,680	166,847	—	—	177,527
Due to the holding company	—	6,199	—	—	—	6,199
Due to related companies . . .	—	5,123	2,728	—	—	7,851
Due to related parties	—	—	—	—	—	—
	<u>112,085</u>	<u>175,612</u>	<u>169,623</u>	<u>—</u>	<u>—</u>	<u>457,320</u>

The maturity profile of the Company's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follow:

Company

	31 December 2012					Total RMB'000
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Over 3 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and bills payables . . .	69,412	87,389	—	—	—	156,801
Financial liabilities included in advances from customers, other payables and accruals	539	3,726	18	—	—	4,283
Interest-bearing bank borrowings	—	—	123,000	—	—	123,000
Due to the holding company	1,358	9,792	—	—	—	11,150
Due to subsidiaries	—	8,854	161	—	—	9,015
Due to related companies . . .	—	7,295	—	—	—	7,295
	<u>71,309</u>	<u>117,056</u>	<u>123,179</u>	<u>—</u>	<u>—</u>	<u>311,544</u>

	31 December 2013					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Trade and bills payables . . .	58,321	155,373	—	—	—	213,694
Financial liabilities included in advances from customers, other payables and accruals	147	11,537	32	—	—	11,716
Interest-bearing bank borrowings	—	48,000	90,000	—	—	138,000
Due to the holding company	—	905	—	—	—	905
Due to subsidiaries	—	2,253	—	—	—	2,253
Due to related companies . . .	20	7,329	—	—	—	7,349
	<u>58,488</u>	<u>225,397</u>	<u>90,032</u>	<u>—</u>	<u>—</u>	<u>373,917</u>

	31 December 2014					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Trade and bills payables . . .	48,859	143,989	—	—	—	192,848
Financial liabilities included in advances from customers, other payables and accruals	250	9,097	30	—	—	9,377
Interest-bearing bank borrowings	—	8,000	165,000	—	—	173,000
Due to the holding company	500	532	—	—	—	1,032
Due to subsidiaries	—	5,863	—	—	—	5,863
Due to related companies . . .	939	5,421	—	—	—	6,360
	<u>50,548</u>	<u>172,902</u>	<u>165,030</u>	<u>—</u>	<u>—</u>	<u>388,480</u>

	31 March 2015					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Trade and bills payables . . .	98,532	129,488	—	—	—	228,020
Financial liabilities included in advances from customers, other payables and accruals	2,432	3,206	42	—	—	5,680
Interest-bearing bank borrowings	—	10,680	166,847	—	—	177,527
Due to the holding company	—	6,178	—	—	—	6,178
Due to subsidiaries	—	3,458	—	—	—	3,458
Due to related companies . . .	—	5,114	2,710	—	—	7,824
	<u>100,964</u>	<u>158,124</u>	<u>169,599</u>	<u>—</u>	<u>—</u>	<u>428,687</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings, amounts due to the holding company, related companies and related parties, gross amounts due to contract customers, trade and bills payables, other payables and accruals, less cash and cash equivalents. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at
	2012	2013	2014	31 March
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Interest-bearing bank borrowings	123,000	138,000	173,000	174,043
Due to the holding company	11,644	1,379	1,132	6,199
Due to related companies	7,296	7,349	6,378	7,851
Due to related parties	489	985	538	—
Gross amounts due to contract customers	91,439	104,273	98,932	95,563
Trade and bills payables	164,574	224,164	232,841	259,762
Advances from customers, other payables and accruals	47,224	66,668	132,212	137,757
Less: Cash and cash equivalents	<u>(5,912)</u>	<u>(15,168)</u>	<u>(3,285)</u>	<u>(5,728)</u>
Net debt	<u>439,754</u>	<u>527,650</u>	<u>641,748</u>	<u>675,447</u>
Total equity	<u>190,740</u>	<u>216,573</u>	<u>240,762</u>	<u>255,902</u>
Gearing ratio	<u>231%</u>	<u>244%</u>	<u>267%</u>	<u>264%</u>

39. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent events undertaken by the Company or the Group after 31 March 2015 .

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 March 2015.

Yours faithfully,

Ernst & Young
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form a part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the sections headed "Financial Information" and "Appendix I — Accountants' Report."

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 31 March 2015 as if it had taken place on 31 March 2015.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 March 2015 or any future date. It is prepared based on our consolidated net tangible assets as at 31 March 2015 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to equity holders of our Company as of 31 March 2015 (RMB'000)⁽¹⁾	Estimated net proceeds from the Global Offering (RMB'000)⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of our Company (RMB'000)	Unaudited pro forma adjusted consolidated net tangible assets per Share (RMB)⁽³⁾	(HK\$)⁽³⁾
Based on an Offer					
Price of HK\$10.9					
per					
H Share	255,783.0	269,641.7	525,424.7	3.89	4.90
Based on an Offer					
Price of HK\$15.5					
per					
H Share	255,783.0	393,718.8	649,501.8	4.81	6.06

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) As of 31 March 2015, our consolidated net tangible assets attributable to equity holders of our Company was equal to our consolidated net assets attributable to equity holders of our Company less the intangible assets.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$10.9 per H Share and HK\$15.5 per H Share, respectively, assuming no exercise of the Over-allotment Option, after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is based on a total of 135,000,000 Shares expected to be in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option). The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at the PBOC rate of approximately RMB0.8 to HK\$1 prevailing on 31 March 2015.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in respect of the Group's pro forma financial information.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24 September 2015

The Directors of Zhejiang Tengy Environmental Technology Co., Ltd

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zhejiang Tengy Environmental Technology Co., Ltd (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 31 March 2015 and related notes as set out on pages II-1 to II-2 of the prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II(A) to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 March 2015 as if the transaction had taken place at 31 March 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 March 2015, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the public offer and placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this Prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties in the PRC as at 30 June 2015.

**CUSHMAN &
WAKEFIELD**

16/F, Jardine House
1 Connaught Place
Central
Hong Kong

24 September 2015

The Board of Directors
Zhejiang Tengy Environmental Technology Co., Ltd
Yangfu Village
Paitou Town
Zhuji City
Zhejiang Province
the PRC

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions for us to value the properties (the “Properties”) which are held by Zhejiang Tengy Environmental Technology Co., Ltd (the “Company”) or its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market values of the Properties as at 30 June 2015 (the “Valuation Date”) for your public listing purpose.

DEFINITION OF MARKET VALUE

Our valuations of each of the Properties represents its market value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council (“IVSC”). Market Value is defined by the IVSC as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION BASIS & ASSUMPTIONS

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuations of the Properties situated in the PRC, we have assumed that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and the PRC legal opinion of the legal adviser, Zhejiang Confuway Law Firm (浙江儒毅律師事務所) dated 24 September 2015, regarding the titles to the Properties and the interests in the Properties. In valuing the Properties, we have assumed that the owners have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

METHODS OF VALUATION

In forming our opinion of value of the Property in Group I, which is held by the Group for owner-occupation in the PRC, as portion of the Property is subject to a tenancy, we have adopted Investment Approach by capitalizing the rental derived from the existing tenancy with due allowance for the reversionary rental potential of the Property.

In forming our opinion of value of the Property in Group II, which is held by the Group for development in the PRC, we have adopted Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and, wherever appropriate, we have also taken into account the construction cost expended as at the Valuation Date.

In forming our opinion of value of the Properties in Group III, which are leased by the Group in the PRC, is considered to have no commercial value due to the prohibitions against assignment of the Property or otherwise due to the lack of substantial profit rent.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and the opinion of the PRC legal adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, particulars of occupancy, construction costs, tenancy details, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments to any documents. We have not been able to cause title search for the Properties in the PRC but we have made reference to the copies of the title documents which have been made available to us by the Group. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our valuers of DTZ Hangzhou, Mr. Jason Cheng and Mr. Paul Li, have inspected the exterior and, wherever possible, the interior of the Properties in September 2015. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith the summary of valuations and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor (General Practice) who has over 22 years property valuation experience in the PRC.

SUMMARY OF VALUATIONS

Property	Market Value in existing state as at 30 June 2015 <i>RMB</i>	The Group's attributable interest %	Market Value in existing state as at 30 June 2015 attributable to the Group <i>RMB</i>
Group I — Property held by the Group for owner-occupation in the PRC			
1. Portion of Tengy Industrial Park, Xinle Village, Guanming Village, Yangfu Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	59,500,000	100	59,500,000
Sub-total:	<u>59,500,000</u>		<u>59,500,000</u>
Group II — Property held by the Group for development in the PRC			
2. Portion of Stone Industrial Park, Shanshan County, Turpan City, Xinjiang Uygur Autonomous Region, the PRC	16,460,000	100	16,460,000
Sub-total:	<u>16,460,000</u>		<u>16,460,000</u>
Grand total:	<u>75,960,000</u>		<u>75,960,000</u>

SUMMARY OF VALUATIONS

Property	Market Value in existing state as at 30 June 2015 RMB
Group III — Properties leased by the Group in the PRC	
3. A single storey workshop at portion of Tengy Industrial Park, Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	No commercial value
4. About half of the area at Tianjie Group Office Building, Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	No commercial value
5. The factory building at south of Haihe Road, west of Xinggang Road, Dushangang Town, Pinghu City, Zhejiang Province, the PRC	No commercial value
6. Portion of the area at an office building at Tengy Industrial Park, Guanming Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	No commercial value

Property	Market Value in existing state as at 30 June 2015 RMB
7. Most of the area at a factory building at Tengy Industrial Park, Guanming Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	No commercial value
8. An office of an office building at No. 67 Laocheng Road, Shanshan County, Turpan City, Xinjiang Uygur Autonomous Region, the PRC	No commercial value

VALUATION CERTIFICATE

Group I — Property held by the Group for owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2015																																																																								
1. Portion of Tengy Industrial Park, Xinle Village, Guanming Village, Yangfu Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	<p>Tengy Industrial Park is an industrial complex with various buildings.</p> <p>The Property comprises portion of Tengy Industrial Park with various buildings erected on two parcels of contiguous industrial land with a total site area of 70,303.80 sq.m.</p> <p>The buildings of the Property have a total gross floor area of 37,327.50 sq.m. The buildings were completed in between 1998 and 2004 respectively.</p> <p>According to the information provided by the Group, the details of the buildings are as below:</p> <table border="1"> <thead> <tr> <th>Building</th> <th>No. of Storey</th> <th>Gross Floor Area sq.m.</th> </tr> </thead> <tbody> <tr><td>New ancillary office</td><td>3</td><td>1,005.20</td></tr> <tr><td>Workshop 1</td><td>1</td><td>2,790.80</td></tr> <tr><td>Workshop 2</td><td>2</td><td>586.20</td></tr> <tr><td>Factory 1</td><td>1</td><td>5,917.20</td></tr> <tr><td>Factory 2</td><td>1</td><td>1,763.90</td></tr> <tr><td>Factory 3</td><td>1</td><td>1,594.30</td></tr> <tr><td>Factory 4</td><td>1</td><td>6,219.60</td></tr> <tr><td>Rivet & welding workshop 1</td><td>1</td><td>3,322.36</td></tr> <tr><td>Rivet & welding workshop 2</td><td>1</td><td>3,322.36</td></tr> <tr><td>Rivet & welding workshop 3</td><td>1</td><td>2,855.30</td></tr> <tr><td>Old ancillary office</td><td>1</td><td>1,753.20</td></tr> <tr><td>Ancillary guest house</td><td>1</td><td>843.60</td></tr> <tr><td>Metalwork workshop</td><td>1</td><td>1,010.10</td></tr> <tr><td>Canteen</td><td>1</td><td>2,162.00</td></tr> <tr><td>Welding inspection room</td><td>1</td><td>322.40</td></tr> <tr><td>New lavatory</td><td>1</td><td>34.31</td></tr> <tr><td>Guardroom</td><td>1</td><td>17.96</td></tr> <tr><td>Warehouse</td><td>1</td><td>727.68</td></tr> <tr><td>Steel warehouse</td><td>1</td><td>872.60</td></tr> <tr><td>Water pump room</td><td>1</td><td>17.50</td></tr> <tr><td>Power distribution room</td><td>1</td><td>166.35</td></tr> <tr><td>Storehouse</td><td>1</td><td>22.58</td></tr> <tr><td>Total:</td><td></td><td><u>37,327.50</u></td></tr> </tbody> </table>	Building	No. of Storey	Gross Floor Area sq.m.	New ancillary office	3	1,005.20	Workshop 1	1	2,790.80	Workshop 2	2	586.20	Factory 1	1	5,917.20	Factory 2	1	1,763.90	Factory 3	1	1,594.30	Factory 4	1	6,219.60	Rivet & welding workshop 1	1	3,322.36	Rivet & welding workshop 2	1	3,322.36	Rivet & welding workshop 3	1	2,855.30	Old ancillary office	1	1,753.20	Ancillary guest house	1	843.60	Metalwork workshop	1	1,010.10	Canteen	1	2,162.00	Welding inspection room	1	322.40	New lavatory	1	34.31	Guardroom	1	17.96	Warehouse	1	727.68	Steel warehouse	1	872.60	Water pump room	1	17.50	Power distribution room	1	166.35	Storehouse	1	22.58	Total:		<u>37,327.50</u>	<p>Portion of the Property, with a total gross floor area of 15,495 sq.m., was subject to a tenancy (leased to Zhejiang Tianjie New Materials Co., Ltd (浙江天潔新材料有限公司), a company incorporated in the PRC with limited liability on 28 August 1992 and is wholly owned by Tengy Group Limited (天潔集團有限公司), one of the Company's Controlling Shareholders) with the expiry date on 31 December 2017 at a total annual rent of RMB1,084,650, exclusive of management fee.</p> <p>The remaining portion of the Property was owner-occupied for production use.</p>	<p>RMB59,500,000</p> <p>(100% interest attributable to the Group: RMB59,500,000)</p>
Building	No. of Storey	Gross Floor Area sq.m.																																																																									
New ancillary office	3	1,005.20																																																																									
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Total:		<u>37,327.50</u>																																																																									

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2015
	<p>The Property is located at Xinle Village, Guanming Village and Yangfu Village in Paitou Town, Zhuji City. Developments nearby are mainly industrial development. According to the Group, the Property is planned for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property.</p> <p>The land use rights of the Property have been granted for various terms due to expire on 6 July 2025 and 9 April 2047 for industrial use respectively.</p>		

Notes:

- (1) According to two Certificates for the Use of State-owned Land dated 19 October 2010, the land use rights of the Property has been granted to Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) for industrial use as below:

Certificate No.	Location	Site Area <i>sq.m.</i>	Lot No.	Land Use Term due to expire on
(2010) 91900307	(Yangfu) Xinle Village, Paitou Town	40,303.30	919-7-38	6 July 2025
(2010) 91900309	The west side of Jinhang Highway (Guanming) Xinle Village, Paitou Town	30,000.50	919-100-272	9 April 2047
Total:		<u>70,303.80</u>		

- (2) According to four Building Ownership Certificates the building ownership of the Property, with a total gross floor area of 37,327.50 sq.m., has been vested in Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) as below:

Certificate No.	Location	Gross Floor Area <i>sq.m.</i>	Registration Date
F0000064500	Xinle Village, Paitou Town	14,595.00	27 September 2010
F0000064607	Guanming Village, Paitou Town	4,382.20	29 September 2010
F0000064608	Building 1, Yangfu Village, Paitou Town	2,855.30	29 September 2010
F0000064609	Guanming Village, Paitou Town	<u>15,495.00</u>	29 September 2010
Total:		<u>37,327.50</u>	

(3) According to Business Licence No. 330600000085200 dated 27 May 2014, Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) was established as a limited liability company on 28 December 2009 with a registered capital of RMB100,000,000.

(4) According to the PRC legal opinion:

(i) Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) has obtained the Certificates for the Use of State-owned Land and Building Ownership Certificates; Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) has the legal rights to occupy, use, lease, transfer, pledge or apply other measure of the building ownership and land use rights of the Property;

(ii) the Property is subject to a mortgage to The Bank of China Stock Co., Ltd. Zhuji Branch; and

(iii) subject to the consent of The Bank of China Stock Co., Ltd. Zhuji Branch, the Property can be legally transferred, leased, re-mortgaged or handled with other legal way.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:

Certificate for the Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

(6) Our major assumptions in our valuation are as follows:

Use	Adjusted Market Rent Adopted <i>(RMB/sq.m./month)</i>	Reversionary Capitalisation Rate <i>(%)</i>
Industrial	7-9	5

In undertaking our valuation, we have made reference to various recent rental transactions of the industrial buildings which have characteristics comparable to the Property. The unit monthly rents of those surrounding industrial lettings are in a range between RMB6.5/sq.m. and RMB9.5/sq.m.

The above market rents assumed by us are consistent with the level of the recent lettings within the Property and other similar industrial buildings within the same district as mentioned above. The reversionary capitalisation rates used are reasonable having regard to the reversionary capitalisation rates analyzed from sales of comparable properties which we have collected.

Group II — Property held by the Group for development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2015
2. Portion of Stone Industrial Park, Shanshan County, Turpan City, Xinjiang Uygur Autonomous Region, the PRC	<p>The Property is portion of Stone Industrial Park to be erected on a parcel of land with a site area of 73,712 sq.m. The total developable gross floor area is 38,000 sq.m.</p> <p>According to the Group, a single storey workshop with a total gross floor area of 11,720.22 sq.m. is under construction and is scheduled for completion in the second half of 2015. The remaining portion is vacant land pending for development.</p> <p>The Property is located at portion of Stone Industrial Park, Shanshan County, Turpan City. Developments nearby are mainly industrial development. According to the Group, the Property is planned for industrial use; there is no environmental issues and litigation dispute; there is no plan for renovation, to dispose of or change the use of the Property.</p> <p>The land use rights of the Property have been granted for a term due to expire on 9 September 2064 for industrial use.</p>	The Property was under construction.	RMB16,460,000 (100% interest attributable to the Group: RMB16,460,000)

Notes:

- (1) According to Grant Contract of Land Use Rights No. (2014) 31 dated 27 October 2014, the land use rights of the land parcel with a total site area of 73,712 sq.m. have been granted to Turpan Environmental Technology Co., Ltd (吐魯番天潔環境科技有限公司) with details as follows:

Location	:	North of Shicai Road, west of Kekeya Road, Stone Industrial Park, Shanshan County
Site area (sq.m.)	:	73,712
Planned gross floor area (sq.m.)	:	38,000
Land use	:	Industrial
Land use term	:	50 years
Land premium (RMB)	:	1,000,000
Plot ratio	:	Not less than 0.60, not more than 1.00

- (2) According to Certificate for the Use of State-owned Land No. (2014) 744 dated 12 November 2014, the land use rights of the property with a total site area of 73,712 sq.m. have been vested in Turpan Environmental Technology Co., Ltd (吐魯番天潔環境科技有限公司) for a term due to expire on 9 September 2064 for industrial use.

- (3) According to Planning Permit for Construction Use of Land No. 652122201459419 dated 11 November 2014, the construction project on the land for industrial use with a total site area of 73,712 sq.m. is in compliance with the urban planning requirements and has been approved.
- (4) According to Planning Permit for Construction Works No. 652122201421418 dated 13 November 2014, the construction works of a single storey workshop is in compliance with the urban planning requirements and have been approved.
- (5) According to Permit for Commencement of Construction Works No. 652122201411146901 dated 14 November 2014, the construction works of a single storey workshop is in compliance with the requirements for works commencement and have been permitted.
- (6) According to the Group, the expended construction cost for completion of the property as at the Valuation Date was RMB12,340,000. We have taken into account such amounts in our valuation.
- (7) According to Business Licence No. 652122050008782 dated 19 July 2013, Turpan Environmental Technology Co., Ltd (吐魯番天潔環境科技有限公司) was established as a limited liability company on 19 July 2013 with a registered capital of RMB4,000,000.
- (8) According to the PRC legal opinion:
- (i) The Certificate for the Use of State-owned Land of the Property is valid, legal and enforceable under the PRC laws;
 - (ii) Turpan Environmental Technology Co., Ltd (吐魯番天潔環境科技有限公司) is the sole legal land user of the Property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;
 - (iii) Turpan Environmental Technology Co., Ltd (吐魯番天潔環境科技有限公司) has the right to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the Property provided that where any of the Property has been mortgaged, the Group has to discharge the mortgage or obtain the mortgagee's consent in advance; and
 - (iv) All land premium stated in the Grant Contract of Land Use Rights have been paid and settled.
- (9) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Group and the legal opinion are as follows:
- | | |
|---|-----|
| Grant Contract of Land Use Rights | Yes |
| Certificate for the Use of State-owned Land | Yes |
| Planning Permit for Construction Use of Land | Yes |
| Planning Permit for Construction Works | Yes |
| Permit for Commencement of Construction Works | Yes |
| Business Licence | Yes |
- (10) In the course of our valuation of industrial land portion of the Property, we have assumed the unit land price based on site area is RMB47/sq.m. We have made references to various recent sales transaction prices of similar land in the same region which have characteristics comparable to the Property. The prices of those sales transactions are in a range between RMB46/sq.m. and RMB49/sq.m. The unit value assumed by us is consistent with the said sales transactions price references. Due to adjustments to the unit prices of those sales transactions, references have been made to reflect factors including but not limited to transaction status, location, accessibility, size, etc. in arriving at the key assumptions.

Group III — Properties leased by the Group in the PRC

Property	Description and tenure	Market Value in existing state as at 30 June 2015
3. A single storey workshop at portion of Tengy Industrial Park, Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	<p>Tengy Industrial Park is an industrial complex with various buildings.</p> <p>The Property, located adjacent to Property No. 1, comprises a single storey workshop at portion of Tengy Industrial Park completed in 2007.</p> <p>The Property has a total gross floor area of 46,679.54 sq.m. and is used for production purpose.</p> <p>Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) leased the Property from its Controlling Shareholders, Tengy Group Limited, for a term of 3 years from 1 January 2015 to 31 December 2017 at an annual rent of RMB3,267,567.80, exclusive of management fee.</p> <p>According to the PRC legal opinion:</p> <p>(i) the lessor legally owns the building ownership and land use rights of the Property, the tenancy agreement is legal, valid and binding.</p>	No commercial value

Property	Description and tenure	Market Value in existing state as at 30 June 2015
4. About half of the area at Tianjie Group Office Building, Xinle Village and Xinsheng Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	<p>The Property comprises about half of the area at Tianjie Group Office Building which is a 5-storey office building completed in 2009.</p> <p>The Property has a total gross floor area of approximately 2,678.5 sq.m. and is used for office purpose.</p> <p>Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) leased the Property from its Controlling Shareholders, Tengy Group Limited, for a term of 3 years from 1 January 2015 to 31 December 2017 at an annual rent of RMB250,000, exclusive of management fee. From the third year, the two parties can alter the rent through communication.</p> <p>According to the PRC legal opinion:</p> <p>(i) the lessor legally owns the building ownership and land use rights of the Property, the tenancy agreement is legal, valid and binding.</p>	No commercial value

Property	Description and tenure	Market Value in existing state as at 30 June 2015
5. The factory building at south of Haihe Road, west of Xinggang Road, Dushangang Town, Pinghu City, Zhejiang Province, the PRC	<p>The Property comprises a factory completed in 2013.</p> <p>The Property has a total gross floor area of 25,000 sq.m. and is used for office purpose and planned for production purpose.</p> <p>Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) leased the Property from Zhejiang Jiasheng New Materials Co., Ltd. (浙江嘉盛新材料有限公司), a non-wholly-owned subsidiary of its Controlling Shareholders, Tengy Group Limited, for a term of 3 years from 1 January 2015 to 31 December 2017 at an annual rent of RMB500,000, exclusive of management fee.</p> <p>According to the PRC legal opinion:</p> <p>(i) the lessor legally owns land use rights of the Property but the application of building ownership certificate of the Property is still in process, the validity of the tenancy agreement is uncertain;</p> <p>(ii) However, no severe adverse effects will be caused to the operating and financial conditions of the lessee and no legal obstacles will be formed to the issue and listing of the stock of the Company.</p>	No commercial value

Property	Description and tenure	Market Value in existing state as at 30 June 2015
6. Portion of the area at an office building at Tengy Industrial Park, Guanming Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	<p>Tengy Industrial Park is an industrial complex with various buildings.</p> <p>The Property comprises portion of the area at an office building which is a 2-storey building completed in 1999.</p> <p>The Property has a total gross floor area of 50 sq.m. and is used for office purpose.</p> <p>Zhuji City Tianjie Installation Engineering Co., Ltd (諸暨市天潔安裝工程有限公司) leased the Property from Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司), for a term of 3 years from 1 January 2015 to 31 December 2017 at an annual rent of RMB5,000, exclusive of management fee.</p> <p>According to the PRC legal opinion:</p> <p>(i) the lessor legally owns the building ownership and land use rights of the Property, the tenancy agreement is legal, valid and binding.</p>	No commercial value

Property	Description and tenure	Market Value in existing state as at 30 June 2015
7. Most of the area at a factory building at Tengy Industrial Park, Guanming Village, Paitou Town, Zhuji City, Zhejiang Province, the PRC	<p data-bbox="571 376 1078 432">Tengy Industrial Park is an industrial complex with various buildings.</p> <p data-bbox="571 465 1117 551">The Property comprises most of the area at a factory building which is a single storey building completed in 1999.</p> <p data-bbox="571 584 1062 640">The Property has a total gross floor area of 2,162 sq.m. and is used for production purpose.</p> <p data-bbox="571 674 1107 891">Zhuji City Tianjie Electronic Technology Co., Ltd (諸暨市天潔電子科技有限公司) leased the Property from Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) for a term of 1 year from 1 January 2015 to 31 December 2015 at an annual rent of RMB151,340, exclusive of management fee.</p> <p data-bbox="571 925 932 947">According to the PRC legal opinion:</p> <p data-bbox="571 994 1117 1081">(i) the lessor legally owns the building ownership and land use rights of the Property, the tenancy agreement is legal, valid and binding.</p>	No commercial value

Property	Description and tenure	Market Value in existing state as at 30 June 2015
8. An office of an office building at No. 67 Laocheng Road, Shanshan County, Turpan City, Xinjiang Uygur Autonomous Region, the PRC	<p>The Property comprises an office with a total gross floor area of approximately 30 sq.m. and is used for industrial and commercial registration purpose.</p> <p>As at the Valuation Date, Turpan Environmental Technology Co., Ltd (吐魯番天潔環境科技有限公司) leased the Property from Shanshan Investment Promotion Bureau (鄯善縣招商管理局) for a term of 3 years from 1 July 2013 to 30 June 2016 at nil consideration.</p> <p>According to the PRC legal opinion:</p> <p>(i) the lessor has not obtained the building ownership certificate of the Property and certificate for the use of state-owned land of the Property, the validity of the tenancy agreement is uncertain;</p> <p>(ii) However, the Property is only used for industrial and commercial registration purpose and the leased area is small, no severe adverse effects will be caused to the operating and financial conditions of the lessee and no legal obstacles will be formed to the issue and listing of the stock of the Company.</p>	No commercial value

This Appendix contains a summary of laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION

A. Taxation in the PRC

Dividend Tax

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) (the "Individual Income Tax Law") promulgated on 10 September 1980, as amended on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007, 29 December 2007 and 30 June 2011 for six times and the Provision for Implementation of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) ("Provision for Implementation of the Individual Income Tax Law") promulgated on 28 January 1994, as amended on 29 December 2005, 18 February 2008 and 19 July 2011 for three times, the receipt of dividends by individuals is subject to an individual income tax of 20%.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) promulgated by the State Administration of Taxation on 28 June 2011, overseas resident individual shareholders of a domestic non-foreign-invested enterprise whose shares are listed in Hong Kong may be entitled to preferential tax treatments in accordance with applicable tax treaties between the countries in which they are tax resident and China as well as the tax arrangements between Mainland China and Hong Kong (Macau). The tax rates are between 5% and 20% (as the case may be). Domestic non-foreign-invested enterprises whose shares are listed in Hong Kong generally may withhold individual income tax at the rate of 10% when distributing dividends with respect to such listed shares without prior application to the PRC tax authorities. Where the stipulated tax rates pursuant to applicable tax treaties and arrangements are lower than 10%, individual shareholders receiving dividends may be entitled to apply to the PRC tax authorities to obtain a refund of the excess of the amount withheld over the required payment upon approval from the competent tax authorities. For a shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is more than 10% but less than 20%, H share issuers will withhold the individual income tax at the actual tax rate, as stipulated in the relevant tax treaties or arrangements, without seeking prior consent from competent tax authorities. For a shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is 20% or where there is no relevant tax treaty or arrangement with the PRC, H share companies shall withhold the individual income tax at the rate of 20%. Such arrangements have also been addressed in a letter dated 28 June 2011 issued by the SAT to the Hong Kong Inland Revenue Department. The letter explicitly provides that Hong Kong resident individuals shall be subject to a tax rate of 10% on the dividend income they receive from H share issuers.

Enterprise

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the "EIT Law") and the Rules for Implementation of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (the "Implementation Rules of EIT Law"), both of which became effective on 1 January 2008, non-resident enterprises that do not have a permanent establishment within the PRC or have such permanent establishment within the PRC but the income they earned is not actually relevant to the aforesaid establishment are subject to enterprise income tax at a rate of 10% on any income generated within the PRC.

Furthermore, pursuant to the Notice of Withholding and Payment of Enterprise Income Tax for PRC Resident Enterprises Paying Dividends to Overseas Non-Resident Enterprise Shareholders of H shares issued by SAT on 6 November 2008, PRC resident enterprises are required to withhold enterprise income tax at a flat rate of 10% on distributions of dividends to overseas non-resident enterprise shareholders of H shares for the year 2008 and thereafter. The non-resident enterprise shareholders entitled to a reduced tax rate under tax treaties or arrangements may apply to the competent taxation authorities for refund of the excess amount withheld.

According to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds 25% equity interest or more in such PRC company, such tax generally shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Taxation of Capital Gains**Individual Investors**

As required by the Individual Income Tax Law and Implementation Rules of Individual Income Tax Law, gains derived by individuals from sales of shares are subject to income tax at a rate of 20%. Pursuant to the Notice concerning the Extension of Temporary Exemption on Individual Income Tax on the Income Derived from Transfers of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) jointly promulgated by MOF and SAT on 30 March 1998, the temporary exemption on individual income tax on the gains derived from the transfer of shares of public companies was extended since 1 January 1997. Although it is not certain whether such exemption is applied to H Shares, to our knowledge in practice the PRC tax authorities had not sought to collect tax on such gains from non-PRC individuals. The tax may be reduced or eliminated pursuant to an applicable tax treaty.

According to the Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2012] No. 85) became effective from 1 January 2013, for shares of listed companies obtained by individuals from public offerings or the market, where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, 25% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For restricted shares of listed companies held by individuals, its stock dividends after being desterilised are subject to tax as required by this notice, the period of shareholding is calculated from the date of desterilisation; the stock dividends received before desterilisation are continued to be reduced to be included in the taxable income at 50% temporarily, a tax rate of 20% is applicable to levy individual income tax.

Enterprise

According to the EIT Law and the Implementation Rules of EIT Law, non-resident enterprises which have not established organisations or premises in the PRC, or if established, the income derived is not actually associated with such organisations or premises, are subject to enterprise income tax of 10% on gain originated from the PRC, including gains from sales of shares equity in a PRC enterprise, except the tax may be reduced or eliminated pursuant to an applicable double tax treaty. According to the Interim Measures for Source-based Withholding of Enterprise Income Tax for Non-resident Enterprises (《非居民企業所得稅源泉扣繳管理暫行辦法》) (Guo Shui Fa [2009] No.3) issued by the SAT, non-resident enterprises are required to pay enterprise income tax on income derived from the transfer of property within the PRC. For transfers of equity outside of the PRC between non-resident enterprises, PRC enterprises whose equity interests are transferred are required to assist tax authorities in collecting the associated taxes from such non-resident enterprises.

Stamp Duty

Pursuant to the Provisional Regulations on Stamp Duty of the People's Republic of China (《中華人民共和國印花稅暫行條例》), which became effective on 1 October 1988 and was amended on 8 January 2011, a stamp duty shall not be applicable to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

No estate duty is imposed by the PRC government.

Income Tax

According to the EIT Law, enterprises and other organisations (excluding sole proprietorships and partnership enterprises) which generate income within the PRC shall pay enterprise income tax at the rate of 25%.

Business Tax

Pursuant to the Provisional Regulations on Business Tax of the People's Republic of China (《中華人民共和國營業稅暫行條例》) became effective from 1 January 1994 and amended on 5 November 2008, business tax is imposed on enterprises or individuals that provide labour services, transfer intangible assets or sell real estate in the PRC as specified in such regulation. A business tax rate of 3% is applicable to the construction industry.

Value-added Tax (VAT)

According to the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) became effective since 1 January 1994, and amended on 5 November 2008, the VAT rate of 17% shall be levied on taxpayers selling or importing goods other than grain, edible vegetable oil, tap water, heating supply, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, marsh gas, coal products for civil use, books, newspapers, magazines, feedstuff, chemical fertiliser, pesticide, farming machines, films for agricultural use and other goods specified by the State Council which are applicable to levy VAT at 13%, and on taxpayers providing processing, repair or replacement services.

According to the Circular of the State Administration of Taxation on Printing and Distributing the Measures for the Administration of Tax Refund (Exemption) for Export Goods (For Trial Implementation) (Exemption) of Exported Goods (For Trial Implementation) (《國家稅務總局關於印發出口貨物退(免)稅管理辦法(試行)的通知》) (Guo Shui Fa [2005] No. 51) became effective on 1 May 2005, as regards proprietary goods exported by an exporter or goods exported thereby upon entrustment, except as otherwise specified, after export customs declaration and financial accounting for sales, the exporter may report to the office of the State Administration of Taxation at the domicile therefore the approval of rebate or exemption of VAT or consumption tax on the strength of relevant vouchers.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Labour Services (Cai Shui [2012] No.39) (《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》(財稅[2012]39號)) , some provisions of which became effective since 1 January 2011, others became effective on 1 July 2012, for goods exported by export enterprises, processing, repair or replacement services exported overseas, VAT exemption and return policies are implemented.

Real Estate Tax

According to the Tentative Regulations of the People's Republic of China on Real Estate Tax (《中華人民共和國房產稅暫行條例》) became effective from 1 October 1986 and amended on 8 January 2011, real estate tax is charged at the rate of 1.2% if it is calculated on the basis of the residual value of a building, and at the rate of 12% if it is calculated on the basis of the rental income.

Municipal Maintenance Tax and Education Surcharge

According to the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) became effective on 1 January 1985 and amended on 8 January 2011, the Municipal Maintenance tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town, each calculated on the consumption tax, value-added tax or business tax which has been paid by such taxpayer.

According to the Tentative Provisions on the Collection of Education Surcharge (《徵收教育費附加的暫行規定》) became effective on 1 July 1986, and amended on 7 June 1990, 20 August 2005 and 8 January 2011, respectively, the educational surcharge rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each enterprise or individual, and the educational surcharge shall be paid simultaneously with value-added tax, business tax and consumption tax.

According to the Notice of the Ministry of Finance on Issues Concerning the Uniformity of Local Education Surcharge Policies (《財政部關於統一地方教育附加政策有關問題的通知》(Cai Zong [2010] No.98)) became effective on 7 November 2010, the rates for local education surcharges must be uniformed and set at 2% of the actual amounts of the VAT, business tax and consumption tax paid by an enterprise or an individual.

B. Taxation in Hong Kong

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trading, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15%. Gains from sales of the H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Share is effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the H Shares. The duty is charged at the ad valorem rate of 0.1 % of the consideration for, or (if greater) the value of, the H Shares transferred to or from each of the seller and purchaser.

In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK\$5.0 is charged on each instrument of transfer (if required). Where a sale or purchase of the H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the stamp duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

Renminbi, or RMB, the lawful currency of the PRC, is currently subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, are responsible for administering all matters relating to foreign exchange.

According to the Regulation of Foreign Exchange of the People's Republic of China promulgated by the State Council on 29 January 1996, as amended on 14 January 1997 and 5 August 2008, international payments and transfers are classified into current account items and capital account items. Current international payments and transfers are not subject to the approval from the SAFE while capital account items such as direct investments and capital contributions are.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange promulgated by PBOC on 20 June 1996 which took effect on 1 July 1996 abolished the remaining restrictions on foreign exchange in respect of current account items while retaining the restrictions on foreign exchange transactions in respect of capital account items.

According to the SAFE Notice on Relevant Issues of Foreign Exchange Management of Overseas Listing (Hui Fa No.[2013]5) issued by SAFE issued on 28 January 2013, which came into effect on the day of issuance, a domestic company shall, within 15 working days after its overseas IPO, register with SAFE's local branch at the place of its incorporation. For domestic companies which shares are listed overseas, when the domestic shareholders increase or decrease their overseas shareholdings pursuant to the relevant regulations, these companies should complete the register of overseas shareholdings with the respective local foreign exchange authorities. The SAFE branch shall issue a certificate of overseas listing, based on which the domestic issuer can open a special account with a local bank to deposit proceeds from its overseas IPO. The proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of this prospectus and other disclosure documents. The conversion of proceeds remitted to domestic accounts into RMB shall be approved by the local SAFE branch.

This Appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its company and securities law and regulations. It also contains a summary of certain Hong Kong law and regulations, including summaries of certain material differences between the PRC and Hong Kong company law, certain requirements of the Listing Rules and the summary of additional provisions required by the Stock Exchange for inclusion in the articles of association of the PRC issuers (as defined in the Listing Rules).

1. PRC LAWS AND REGULATIONS

(a) The PRC legal system

The PRC legal system is based on the PRC Constitution and is made up of written laws, administrative regulations, local regulations, autonomy regulations and separate rules, rules of State Council departments, rules of local governments and international treaties of which the PRC government is a signatory. Court judgements do not constitute legally binding precedents, although they may be used for judicial reference and guidance.

According to the PRC Constitution and the Legislation Law of the PRC, the National People's Congress ("NPC") and the standing committee of the NPC (the "Standing Committee") are empowered to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enacts and amends basic laws governing criminal offenses, civil affairs, the State organs and other matters. The Standing Committee enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the Standing Committee may partially supplement and amend the laws enacted by the NPC, but not in contradiction to the basic principles of such laws. The State Council is the highest organ of state administration and has the power to enact administrative regulations based on the PRC Constitution and laws. The people's congresses at the provincial level and their standing committees may, in light of the specific circumstances and actual needs of their respective administrative areas, enact local regulations, provided that such local regulations do not contravene any provision of the PRC Constitution, laws or administrative regulations. The ministries and commissions of the State Council, the PBOC, the National Audit Office of the PRC as well as other state organs endowed with administrative functions directly under the State Council may, according to laws, administrative regulations, decisions and orders of the State Council, formulate ministerial rules within their authorities. The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities. The people's congresses of the national autonomous regions have the power to enact autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationalities that reside in the area.

The PRC Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The

significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within their respective administrative areas.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations and separate regulations which have been approved by its Standing Committee but which contravene the PRC Constitution or the Legislation Law of the PRC. The Standing Committee has the power to annul any administrative regulation that contravenes the PRC Constitution and laws, to annul any local regulation that contravenes the PRC Constitution, laws or administrative regulations, and to annul any autonomous regulation and separate regulations which has been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the PRC Constitution and the Legislation Law of the PRC.

The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

The power to interpret laws is vested in the Standing Committee by the PRC Constitution. According to Resolutions of the Standing Committee on Improving Interpretation of Laws passed on 10 June 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and supervisory authorities. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the supervisory authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

(b) The PRC judicial system

Under the PRC Constitution and the Law of Organisation of the People's Courts of the PRC, the People's Courts consist of the Supreme People's Court, the local people's courts at all levels, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and administrative divisions. The intermediate people's courts are organised into divisions similar to those of the basic people's courts, and can set up other special divisions, such as the intellectual property division, where necessary. The higher people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the litigation proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC, supervising the judicial activities carried out by all of the people's courts.

The people's courts employ a two-tier trial system in the trial of cases. A party may appeal against a judgement or ruling by the people's court of first instance to the people's court at the next higher level prior to the judgement or the ruling of the first instance is legally effective. Second judgements or decisions given at the next higher level are final. First judgements or decisions of the Supreme People's Court are also final. If, however, the president of the Supreme People's Court finds an error in an effective judgement or decision which has been given in the court; or if the Supreme People's Court or a people's court at a higher level finds an error in an effective judgement or decision which has been given in any people's court at a lower level, the case may then be retried in accordance with the judicial supervisory procedures. If the effective judgements or decisions of the people's courts at any level are found by the Supreme People's Procuratorate, or of the people's court at a lower level are found by the people's procuratorate at a higher level, to be erroneous, such procuratorate may file counter appeal according to the trial supervision procedures.

The Civil Procedure Law of the PRC issued on 9 April 1991 and amended on 28 October 2007 and 31 August 2012 prescribes the provisions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law of the PRC. Generally, a civil case is initially heard by a court located in the defendant's place of domicile. The parties to a contract may, by written agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of location of the objects under the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case under the Civil Procedure Law of the PRC.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Should the judicial system of a foreign country limits the litigation rights of the PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country. If any party to a civil action refuses to comply with a legally effective judgement or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the

judgement, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The suspension or termination of the time limit for the submission of an application for enforcement shall be governed by the provisions on the suspension or termination of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgement or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or ruling. A people's court may also request a foreign court for recognition and enforcement of the judgement or ruling in accordance with the international treaties to which the PRC is a signatory or a participant or the principle of reciprocity. If a legally effective judgement or ruling of a foreign court requires recognition and enforcement by a people's court, the party shall apply to an intermediate people's court with proper jurisdiction in the PRC for recognition and enforcement of the judgement or ruling. A foreign court may also request a people's court for recognition and enforcement of the judgement or ruling in accordance with the international treaties with the PRC to which the country is a signatory or a participant or the principle of reciprocity. In the case of an application or request for recognition and enforcement of a legally effective judgement or ruling of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognise the validity of the judgement or ruling, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations of the law. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognise and enforce it.

(c) The PRC Company Law

As a joint stock limited liability company incorporated in the PRC, and seeking a listing on the Hong Kong Stock Exchange, the Company is primarily subject to the following PRC laws and regulations:

- The PRC Company Law, which was promulgated by the Standing Committee on 29 December 1993, took effect on 1 July 1994 and was revised as of 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively;
- The Special Regulations on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (the "Special Regulations"), which were promulgated by the State Council on 4 August 1994 on the basis of Article 85 and Article 155 of the then effective 1993 PRC Company Law; and

- The Mandatory Provisions for the Articles of Association of Companies Listed Overseas (the “Mandatory Provisions”), which were jointly promulgated by the Securities Committee and the State Restructuring Commission (currently known as the National Development and Reform Commission) on 29 September 1994. As a joint stock limited company seeking an overseas listing, the Company has incorporated the Mandatory Provisions into its Articles of Association, the summary of which is set out in the Appendix VI.

(i) *General provisions*

A joint stock limited company (hereinafter referred to as the “company”) is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A State-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the handling and evaluation of the company’s assets and liabilities and the establishment of its internal management organs.

A company must conduct its business in accordance with law and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liability associated with the debts of the invested enterprises.

(ii) *Incorporation*

A company may be incorporated by promotion or public subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. According to the Special Regulations, state-owned enterprises or enterprises with the majority of their assets owned by the PRC government can be restructured in accordance with the relevant regulations to become joint stock limited companies which may issue shares to overseas investors.

A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

The PRC Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant registered authority. The shares shall not be offered to other person until the shares subscribed by the promoters were paid up; for companies incorporated by way of public subscription, the registered capital is in the amount of total paid-up capital as registered with the relevant authority.

Pursuant to the PRC Securities Law (the “Securities Law”) adopted on 29 December 1998 and amended four times on 28 August 2004, 27 October 2005, 29 June 2013 and 31 August 2014 respectively, the total share capital of a company which applies for its shares to be listed shall not be less than RMB30 million.

After the issued shares have been fully paid up, the promoters shall convene an inaugural meeting within 30 days from the date the shares were paid up and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the shares of the company. Functions and powers exercisable by the inaugural meeting include approving the articles of association of the Company, electing members of the board of directors and the board of supervisors of the company. The passing of any foregoing resolution of the inaugural meeting requires more than half of the votes cast by subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the registration authority and a Business License has been issued.

The promoters of a company shall individually and jointly be liable for: (1) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (2) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; (3) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

According to the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council on 22 April 1993 (which is only applicable to the issue and trading of shares in the PRC and relevant activities), if a company is incorporated by means of public subscription, the promoters, directors and lead underwriter of the company are required to sign on this prospectus, assume joint liability for the accuracy of the contents of this prospectus and to ensure that this prospectus does not contain misleading statement or omission of any material information.

(iii) *Share capital*

The promoters of a company may make capital contributions in cash, or tangible assets, intellectual property rights, land-use rights or other non-currency assets contribution that can be valued in currency and transferable according to laws based on their appraised value, except for the assets which are prohibited to contribute according to laws and administrative regulations.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company.

If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. A company may issue registered or bearer shares.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and listed overseas are defined as overseas-listed-foreign-invested shares, and those issued to investors within the PRC other than the aforementioned areas are defined as domestic shares. Qualified Foreign Institutional Investors (“QFII”) approved by China Securities Regulatory Commission (hereinafter referred to as “CSRC”) may hold domestic listed shares. A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. According to the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement on issuing overseas-listed-foreign-invested shares, to retain not more than 15% of the aggregate amount of overseas-listed-foreign-invested shares proposed to be issued less the amount of underwritten shares. The share offering price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee. No modification registration shall be made to the registrar of shareholders within thirty days prior to the shareholders’ assembly being held or within five days prior to the benchmark date set for the purpose of distribution of dividends.

(iv) *Increase in capital*

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for abovementioned conditions of obtaining approval at the general meeting required by the PRC Company Law, the PRC Securities Law requires the following conditions for a company to offer new shares to the public: (1) a complete and well-operated organisation; (2) capability of making profits continuously and a healthy financial status; (3) no false records or significant irregularities in its financial statements over the last three years; (4) fulfil any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

(v) Reduction of share capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures stipulated by the PRC Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within thirty (30) days once the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

(vi) Repurchase of shares

A company shall not purchase its own shares other than for the following purposes:

- to reduce the registered capital by cancelling its shares or to merge with another company holding its shares;
- to grant shares as a reward to the staff of the company; and
- to satisfy the request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting;

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon obtaining approvals from relevant competent authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through outside-market contract.

(vii) Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations.

A shareholder shall transfer his/her shares in stock exchanges established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations.

Shares held by the promoter(s) of a company shall not be transferred within one year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of its shares being listed on a stock exchange.

There is no limit under the PRC Company Law as to the percentage of shares held by a single shareholder in a company.

(viii) Shareholders

The articles of association of a company set forth the shareholders' rights and obligations and are binding on all the shareholders.

Pursuant to the PRC Company Law and the Mandatory Provisions, a shareholder's rights include:

- the right to attend in person or appoint a representative to attend the shareholders' general meeting and to vote in respect of the amount of shares held;
- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;
- the right to inspect the company's articles of association, shareholders' registers, records of company's debentures, minutes of shareholders' general meeting, board resolutions, supervisor resolutions and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;
- if a resolution approved by the shareholders' general meeting or by the board of directors violates any law or regulation, or infringes on the shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the illegal infringing action be stopped;
- the right to receive dividends based on the number of shares held;
- the right to obtain surplus assets of the company upon its termination in proportion to shares he/she holds;
- to claim against other shareholders who abuse their rights of shareholders for the damages; and
- any other shareholders' rights specified in the articles of association.

The obligations of shareholders include: abide by the articles of association of the company; pay the subscription monies in respect of shares subscribed for; be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up; no abuse of the independent status of the company as a legal person and its limited liability companies as to damage the interests of the creditors of the company; and any other obligation specified in the articles of association of the company.

(ix) *Shareholders' general meeting*

The shareholders' general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or remove the directors and supervisors who are not representatives of the employees and to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;
- to review and approve annual financial budgets and financial accounts;
- to review and approve proposals for profit distribution and for recovery of losses of the company;
- to decide on increase and reduction of the registered capital of the company;
- to decide on bond issuances of the company;
- to decide the merger, division, dissolution and liquidation of the company and other issues;
- to amend the articles of association of the company; and
- other powers granted by the articles of association of the company.

The shareholders' general meeting must be convened once a year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following events:

- the number of directors is less than the number provided for in this law or less than two-thirds of the number specified in the articles of association;

- the losses of the company which are not made up reach one-third of the total paid-up share capital;
- as requested by a shareholder holding individually, or shareholders holding in aggregate, 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- otherwise provided for by the articles of association.
- The shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors.

The notice to convene a shareholders' general meeting (containing time, place of and matters to be considered at the meeting) must be given to each shareholder twenty (20) days before the meeting pursuant to the PRC Company Law and forty-five (45) days before the meeting pursuant to the Special Regulations and the Mandatory Provisions. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend must give to the company written confirmation of their attendance twenty (20) days prior to the meeting. Under the Special Regulations, at an annual shareholders' general meeting of a company, shareholders holding 5% or more of the voting rights in the company are entitled to propose to the company, in writing, new resolutions which if within the powers of a shareholders' general meeting are required to be added to the agenda of that meeting.

Shareholders present at the shareholders' general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at a shareholders' general meeting must be passed by more than half of the votes cast by shareholders present at the meeting except that amendments to the company's articles of association; the increase and reduction of registered capital and the merger, division or dissolution of the company or change in the form of the company should be approved by more than two thirds of the votes cast by shareholders present at the meeting.

A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall submit a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorisation scope.

There is no provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual shareholders' general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received twenty days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the

meeting and the date and place of the meeting and the annual shareholders' general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the rights of a class of shareholders. Holders of domestic shares and holders of overseas listed foreign shares are deemed to be different classes of shareholders for this purpose.

(X) Directors

A company shall have a board of directors, which shall consist of five (5) to nineteen (19) members who can be staff representatives of the company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given at least ten (10) days before the meeting. The board of directors may determine a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

- to convene a shareholders' general meeting and report the outcome of the proceeds to the shareholders;
- to implement the resolutions of the shareholders' general meeting;
- to decide the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to prepare plans for the merger, division or dissolution of the company;
- to decide the company's internal management structure;
- to appoint or dismiss the company's general manager and, based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- any other power provide for by the articles of association.

In addition, the Mandatory Provisions provides that the board is also responsible for formulating the proposals for amendment of the articles of association of a company. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association and causes the company to sustain serious losses, the directors participating in the resolution are liable to the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the PRC Company Law, the following persons may not serve as directors of a company:

- persons without civil capacity or with restricted civil capacity;
- persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to a mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; or
- persons who have a large amount of debt due and outstanding.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the articles of association, a summary of which is set out in Appendix VI to this prospectus).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors shall exercise, amongst others, the following powers:

- to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and
- to check the implementation of the resolutions of the board of directors.

In accordance with the company's articles of association, the legal representative of a company may be the chairman, any executive director or the manager.

The Special Regulations provides that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the articles of association, a summary of which is set out in this Appendix VI) contains further elaborations of such duties.

(xi) *Supervisors*

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years, and the supervisors may hold consecutive terms upon re-election.

The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

The supervisory committee exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in the performance of their duties to the company, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' general meeting;
- to require the director or senior manager to make corrections if his act is detrimental to the interests of the company;
- to propose the convening of extraordinary shareholders' general meetings, and to convene and preside over shareholders' general meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' general meetings as required by the law;

- to put forward proposals at shareholders' general meetings;
- to initiate actions against directors or senior management in accordance with Article 152 of the PRC Company Law;
- other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

The Special Regulations provides that a company's directors and supervisors shall have fiduciary duties to the company. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions and powers for their own benefit.

(xii) *Managers and officers*

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- to be in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business and investment plans;
- to formulate plans for the establishment of the company's internal management structure;
- to formulate the basic administration system of the company;
- to formulate the company's specific rules;
- to recommend the appointment and dismissal of deputy managers and any financial controller and to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);
- to attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management of a company includes the financial controller, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the articles of association (a summary of which is set out in this Appendix VI).

(xiii) Duties of directors, supervisors, managers and officers

A director, supervisor, manager and an officer of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. A director, supervisor, manager and an officer of a company is also under a duty of confidentiality to the company and is prohibited from divulging the secret information of the company save as permitted by the relevant laws and regulations or by the shareholders.

A director, supervisor, manager and an officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and an officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

(xiv) Finance and accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and, at the end of each financial year, prepare a financial report which shall be audited and verified as required by law.

A company shall deposit its financial statements at the company for the inspection by the shareholders at least 20 days before the convening of the annual shareholders' general meeting. A company established by the public subscription method must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory reserve fund (except where the fund has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve fund from its after-tax profit, subject to a resolution of the shareholders' meeting or the shareholders' general meeting, the company may make an allocation to a discretionary common reserve fund.

When the company's statutory surplus reserve fund is not sufficient to make up the company's losses of the previous year, current year profits shall be used to make good the losses before allocations are set aside for the statutory surplus reserve fund.

After the company has made good its losses and made allocations to its statutory surplus reserve fund, the remaining profits can be made available for distribution to shareholders in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

- to make up the company's losses (other than the capital common reserve);
- to expand the business operations of the company; and
- to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the par value of the shares currently held by the shareholders provided that if the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

(xv) Appointment and removal of auditors

The Special Regulations requires a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports. The auditors are to be appointed for a term commencing from the close of an annual shareholders' general meeting and ending at the close of the next following annual shareholders' general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in shareholders' general meetings. The appointment, removal or cessation of re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

(xvi) Distribution of profits

In accordance with the Special Regulations, the dividends and other distributions to be paid by a company to holders of overseas listed foreign shares shall be denominated and declared in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

(xvii) Amendments to articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions which are incorporated in the articles of association in accordance with the Mandatory Provisions will only be effective after approval by the company approval department authorised by the State Council and CSRC. In relation to matters involving the company's registration, its registration with the company registration authority must also be changed according to law.

(xviii) Dissolution and liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the People's Court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the PRC Company Law, a company shall be dissolved in any of the following events:

- (1) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;
- (2) the shareholders in a general meeting have resolved to dissolve the company;
- (3) the company is dissolved by reason of its merger or demerger;
- (4) the company is subject to the revocation of business license, a closure order or dismissal in accordance with laws;
- (5) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the People's Court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days from the date of dissolution. Members of liquidation committees shall be determined by the shareholders at the general meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the People's Court for its establishment.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- notify creditors or issue public notices;
- deal with and settle any outstanding business of the company;
- pay any tax overdue;
- settle the company's financial claims and liabilities;
- handle the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labour insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

A company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the People's Court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors with respect to any loss arising from his willful or material default.

(xix) Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the Securities Commission may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from CSRC.

(xx) Loss of H share certificates

A shareholder may apply, in accordance with the relevant provision set out in the PRC Civil Procedure Law, to a people's court in the event that H share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in Appendix VI of this prospectus).

(xxi) Suspension and Termination of Listing

The new and amended PRC Company Law has deleted provisions governing suspension and termination of listing. The new PRC Securities Law has been amended as follows:

The trading of shares of a company on a stock exchange may be suspended if so decided by the securities administration department of the State Council (the new PRC Securities Law has renamed this as the Securities Exchange) under one of the following circumstances:

- (1) the registered capital or shareholding distribution no longer complies with the necessary requirements for a listed company;
- (2) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors;
- (3) the company has committed a major breach of the law;

- (4) the company has incurred losses for three consecutive years; or
- (5) other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the PRC Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (1) above, or the company has refused to rectify the situation in the case described in (2) above, or the company fails to become profitable in the next subsequent year in the case described in (4) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

Under the Securities Law, the stock exchanges may terminate the listing of a company's shares in the event that the company is dissolved or is declared bankrupt.

(xxii) *Merger and demerger*

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

(d) **Securities law and other relevant regulations**

The PRC has promulgated a number of regulations that relate to the issue and trading of securities and disclosure of information by the Company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory body of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by the PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking research and analysis.

The Securities Law took effect on 1 July 1999 and was revised for the first time as of 28 August 2004 and for the second time on 27 October 2005 and for the third time on 29 June 2013 and 31 August 2014. It is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a company must obtain prior approval from the State Council's regulatory authorities to list shares outside the PRC. Article 239 of the Securities Law provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

(e) Arbitration and enforcement of arbitral awards

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was passed by the Ninth Meeting of the Eighth Standing Committee on 31 August 1994 and became effective on 1 September 1995 and was revised on 27 August 2009. It is applicable to contract disputes and other property disputes between equal citizens, legal person and other organisations. Both parties shall reach an arbitration agreement voluntarily in order to settle the dispute through arbitration. The arbitration commission shall not accept any application for arbitration from a single party without arbitration agreement. Where the parties entered into arbitration agreement, the court will refuse to handle the proceedings appealed by a party unless the arbitration agreement is null and void.

The Mandatory Provisions require whenever any disputes or claims arise between holders of overseas listed foreign invested shares and the company, holders of overseas listed foreign invested shares and the directors, supervisors, manager or other senior officers; or holders of overseas listed foreign invested shares and holders of domestic shares, with respect to any disputes or claims in relation to the companies affairs or as a result of any rights or obligations arising under its Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons in the capacity of a company, or shareholder, director, supervisor, manager or other senior management, who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim shall comply with the arbitration. Disputes with respect to the definition of shareholders and disputes related to a company's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre. Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement.

A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission. A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement.

Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) adopted on 10 June 1958 pursuant to a resolution of the Standing Committee passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the request for enforcement is made.

It was declared by the Standing Committee simultaneously with the accession of the PRC that (1) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC will only apply the New York Convention in disputes considered under the PRC laws to arise from contractual and non-contractual mercantile legal relations. On 18 June 1999, an arrangement was made between Hong Kong and the Supreme People’s Court of the PRC for the mutual enforcement of arbitral awards. On 18 June 1999, 最高人民法院審判委員會 (the Board of Review of the Supreme People’s Court*) enacted the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitration Awards between the Mainland and Hong Kong (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) for mutual enforcement of arbitral awards in their 1069th meeting. In accordance with the agreement between the Supreme People’s Court of the PRC and representatives from Hong Kong Special Administrative Region, the arrangement is made to public in the manner of the judicial interpretation issued by the Supreme People’s Court in the mainland, and became effective on 1 February 2000.

The arrangement is made in accordance with the spirit of the New York Convention. Under this arrangement, award made by the PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong.

2. HONG KONG LAWS AND REGULATIONS

(1) Summary of Material Differences Between Certain Company Law Matters in the PRC and Hong Kong

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. Our Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

(i) Corporate existence

Under Hong Kong law, a company having share capital, is incorporated and will acquire an independent corporate existence after the company registrar of Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association does not contain such pre-emptive provisions.

Under the PRC Company Law, a company may be incorporated by promotion or public subscription. Unless otherwise required by laws and regulations, there is no minimum registered capital for a company. Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

(ii) Share capital

Hong Kong law does not provide for authorised share capital. The shares of a Hong Kong company have no nominal value and the directors may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for authorised share capital either. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, the shares may be subscribed for in the form of money or nonmonetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

(iii) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the lock-up on the Company's issue of shares and the Controlling Shareholders' disposal of shares as described in the section headed "Underwriting" in this prospectus.

(iv) Financial assistance for acquisition of shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

(v) Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarised in Appendix VI to this Prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths of the total voting rights of holders of the shares in the class in question, (iii) by agreement of all the holders of the shares in the relevant class in question or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. Our Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) our Company issues domestic shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special

resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by CSRC, the shareholders of domestic shares of our Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

(vi) Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI to this prospectus.

(vii) Board of Supervisors

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a board of Supervisors but there is no mandatory requirement for the establishment of a board of Supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(viii) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of the company violates the law, administrative regulation or articles of association of the company and thus infringe the shareholder's interest. The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Stock Exchange is required to give an undertaking in favour of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong Government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

(x) Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 days before the meeting, or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice period of a general meeting convened for passing an ordinary resolution and a special resolution is at least 14 days for a limited company and at least 7 days for an unlimited company. The notice period for an annual general meeting is at least 21 days.

(xi) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum.

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(xii) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

(xiii) Financial disclosure

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public subscription under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. The financial statements of a Hong Kong company must be prepared in accordance with the standards issued or specified by the Hong Kong Institute of Certified Public Accountants. A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) Information on directors and shareholders

The PRC Company Law gives the shareholders of a company the right to inspect the Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(xv) Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(xvi) Corporate reorganisation

Corporate reorganisations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 673 and section 674 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

(xvii) Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

(xviii) Mandatory deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declares any dividends after taxation. The company may not require to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

(xix) Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been in compliance with the Hong Kong Listing Rules.

(xx) Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(xxi) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(xxii) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

(2) The Listing Rules

The Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company:

(i) Compliance Advisor

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorised representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Stock Exchange if the authorised representatives of the company are expected to be frequently outside Hong Kong.

(ii) Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

(iii) Process agent

The company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(iv) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalisation at the time of listing of not less than HK\$50,000,000. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the company has an expected market capitalisation at the time of listing of over HK\$10,000,000,000.

(v) Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(vi) Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

(vii) Mandatory provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI to this prospectus.

(viii) Redeemable shares

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

(ix) Pre-emptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Company's articles of association, prior to (1) authorising, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the Company making any such authorisation, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing shareholders of the company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorise, allot or issue, either separately or concurrently once every 12 months, not more than 20%

of the existing domestic shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of State Counsel, the shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

(x) Supervisors

Our Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

Our Company is required to obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of our Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

The remuneration and assessment committee of our Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and our Shareholders as a whole and advise our Shareholders on how to vote.

(xi) Amendment to the Articles of Association

Our Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Listing Rules and the Mandatory Provisions or the PRC Company Law.

(xii) Documents for inspection

Our Company is required to make available at a place in Hong Kong for inspection by the public and its shareholders free of charge, and for copying by shareholders at reasonable charges the following:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of the Company;
- our Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;

- special resolutions of our Company;
- reports showing the number and nominal value of securities repurchased by our Company since the end of the last certificates year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- a copy of the latest annual return led with the State Administration of Industry and Commerce of the PRC; and
- for shareholders only, copies of minutes of meetings of shareholders.

(xiii) Receiving agents

Our Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

(xiv) Statements in H share certificates

Our Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with our Company and each shareholder of our Company, and our Company agrees with each shareholder of our Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- agrees with our Company, each shareholder, Director, Supervisor, manager and officer of our Company, and our Company acting for itself and for each Director, Supervisor, manager and officer of our Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with our Company and each shareholder of our Company that the H Shares are freely transferable by the holder thereof; and

- authorises our Company to enter into a contract on his behalf with each Director, Supervisors, Managers and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

(xv) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

Our Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(xvi) Contract between the Company and its Directors, officers and Supervisors

Our Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to our Company to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Repurchases and an agreement that our Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or officer to our Company acting as agent for each shareholder to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between our Company and our Directors or officers and between a holder of H Shares and a Director or officer of our Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto;

- the agreement to arbitrate is made by the Director or offer with our Company on its own behalf and on behalf of each shareholder; and
- any reference to arbitration shall be deemed to authorise the arbitral tribunal to conduct hearings in open session and to publish its award.

Our Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

(xvii) Subsequent listing

Our Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

(xviii) English translation

All notices or other documents required under the Listing Rules to be sent by our Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

(xix) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of our Company's listing.

(3) Other Legal and Regulatory Provisions

Upon our Company's listing, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to our Company.

(4) Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies

incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

(5) PRC Legal Matter

Zhejiang Confuway Law Firm, our legal advisers on PRC law, have sent to us a legal opinion confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in “Appendix VIII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection.” Any person wishing to have detailed advice on PRC law and the laws of any jurisdictions is recommend to seek independent legal advice.

Set out below is a summary of the Articles of Association to provide an overview of the Articles of Association to potential investors. As the information contained below is only a summary, it does not contain all the information that may be important to potential investors.

1 DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue shares

These Articles do not contain clauses that authorise the Board of Directors to allot or issue Shares. The Board of Directors shall prepare proposals for issue of Shares, which are subject to approval by Shareholders at a Shareholders' general meeting in the form of special resolution.

(b) Power to dispose of assets of our Company or its subsidiaries

In case of a disposal of fixed assets, if the sum of the expected value of the fixed assets to be disposed of and the value derived from the fixed assets disposed of within four months preceding the proposal for disposal exceeds 33% of the value of the fixed assets shown in the latest balance sheet considered at a Shareholders' general meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the approval by a Shareholders' general meeting. The above disposal of fixed assets includes the transfer of interests in some assets, but does not include the provision of guarantees with fixed assets. The validity of the transactions with respect to the disposal of fixed assets by our Company shall not be affected by the violation of the above restrictions contained in these Articles.

(c) Compensation or payments for loss of office

The contracts entered into between our Company and the Directors or Supervisors in connection with their emoluments shall provide that the Directors or Supervisors are entitled to compensation or other payments for loss of office or retirement as a result of the acquisition of our Company, subject to the prior approval by a Shareholders' general meeting. Acquisition of our Company refers to any of the following circumstances:

- (i) An offer made by any person to all Shareholders; or
- (ii) An offer made by any person such that the offeror will become the Controlling Shareholder (as defined in these Articles).

If the relevant Director or Supervisor fails to comply with this requirement, any payment received by him/her shall belong to the person who sells his/her shares for accepting the aforesaid offer. The Director or Supervisor shall bear the expenses arising from the distribution of such payments in a proportional manner and such expenses shall not be deducted from these payments.

(d) Loans to Directors, Supervisors or other management personnel

Our Company shall neither provide the Directors, Supervisors, general manager or other senior management of our Company or its parent company with loans or loan guarantees either directly or indirectly nor provide persons related to the aforesaid personnel with loans or loan guarantees.

The following circumstances are exempted from the above clauses:

- (i) Our Company provides its subsidiaries with loans or loan guarantees;
- (ii) Our Company provides any of its Directors, Supervisors, general manager or other senior management with loans, loan guarantees or other funds pursuant to the employment contracts approved at a Shareholders' general meeting to pay expenses incurred for the purpose of our Company or from performing their duties; and
- (iii) In case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide relevant Directors, Supervisors, general manager or other senior management and other related personnel with loans or loan guarantees, provided that the conditions governing the provision of such loans or loan guarantees shall be normal commercial conditions.

In the event that our Company provides loans in violation of the aforesaid requirement, the person who receives the loan(s) shall pay back the loan(s) immediately, regardless of the conditions of loans. Loan guarantees provided by our Company in violation of the aforesaid requirement shall not be mandatorily enforced against our Company, unless under the following circumstances:

- (i) The loan provider unknowingly provides loans to personnel related to the Directors, Supervisors, general manager or other senior management of our Company or its parent company; or
- (ii) The collateral provided by our Company is sold lawfully by the loan provider to a buyer in good faith.

Guarantee(s) referred to in the aforesaid provisions shall include the acts of the guarantor bearing the liabilities or providing properties to secure that the obligor performs the obligations.

(e) Provision of Financial Assistance for Purchase of Shares of the Company's or its subsidiaries

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. This includes any person who directly or indirectly incurs any obligations as a result of the acquisition of shares in the Company.

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging the obligations assumed by such person.

But the following acts are not prohibited:

- (i) the provision of financial aid by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of a master plan of the Company;

- (ii) the lawful distribution of the Company's assets as dividends;
- (iii) the distribution of dividends in the form of shares;
- (iv) a reduction of registered capital, a repurchase of shares of the Company or a reorganisation of the shareholding structure of the Company effected in accordance with these Articles;
- (v) the provision of loans by the Company within its scope of business and in the ordinary course of its business, where the provision of loans falls within part of the scope of business of the Company (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial aid is provided out of distributable profits); and
- (vi) contributions made by the Company to the employee share ownership schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial aid is provided out of distributable profits).

Financial assistance referred to above includes, without limitation to:

- (i) gift;
- (ii) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation in respect of the Company's own default), relief or waiver of rights;
- (iii) provision of loan or the making of any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or the change in parties to, or the assignment of rights under, such loan or contract; and
- (iv) any other form of financial aid given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

The assumption of obligations referred to above shall include the assumption of obligations by way of contract or by way of arrangement (irrespective of whether such contract or arrangement is enforceable or not and irrespective of whether such obligation is to be borne solely by the obligor or jointly with other persons) or by any other means which results in a change in his/her financial position.

(f) Disclosure of interests in the contracts with our Company

When any of the Directors, Supervisors, general manager and other senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into directly or indirectly (except for employment contracts that our Company has entered into with the Directors, Supervisors, general manager and other senior management), they shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether such matters are subject to the approval of the Board of Directors in normal circumstances.

Subject to exceptions under the Listing Rules or such exceptions as the Stock Exchange may approve, the Directors shall not vote on any contract, transaction, arrangement or proposal in which the Directors or their associates (as defined in the Listing Rules in force from time to time) have material interests at a Shareholders' general meeting, and shall not be included in the quorum of the meeting.

Unless the Directors, Supervisors, general manager and other senior management of our Company who have interests have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors has approved the matters at a meeting in which they are not included in the quorum nor participate in voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the counterpart is a party in good faith without knowledge of the acts of related Directors, Supervisors, general manager and other senior management violating their obligations.

Where connected persons or associates of the Directors, Supervisors, general manager and other senior management of our Company have interests in a contract, transaction or arrangement, the related Directors, Supervisors, general manager and other senior management shall be deemed to have interests therein.

(g) Remuneration

Our Company shall enter into written contracts with the Directors or Supervisors of our Company regarding remunerations which shall be subject to prior approval of the Shareholders' general meeting. Such remunerations include:

- (i) Remuneration for serving as the Directors, Supervisors or senior management of our Company;
- (ii) Remuneration for serving as the Directors, Supervisors or senior management of the subsidiaries of our Company;
- (iii) Remuneration for providing other services for management of our Company and its subsidiaries; and
- (iv) Compensation received by the Directors or Supervisors as a result of loss of position or retirement.

No Director or Supervisor shall institute any litigation against our Company for any interests in relation to the above matters unless pursuant to the above contracts.

(h) Resignation, Appointment and Dismissal

None of the following persons shall serve as the Director, Supervisor, general manager or other senior management of our Company:

- (i) Anyone who has no or limited civil capacity;

- (ii) Anyone who has been convicted of the offense of corruption, bribery, infringement of property, misappropriation of property, or disrupting the social economic order, and less than five years has elapsed since the sentence was fully served, or who has been deprived of political rights because of offense and less than five years has elapsed since the sentence was fully served;
- (iii) Anyone who has served as Director, factory manager or manager of a company or enterprise that is bankrupt and liquidated and is personally liable for the bankruptcy of the company or enterprise, where less than three years has elapsed since the date of completion of bankruptcy and liquidation of the company or enterprise;
- (iv) Anyone who has served as the legal representative of a company or enterprise whose business license was revoked and which was then ordered to be shut down due to violation of the law and is personally liable, where less than three years has elapsed since the date of revocation of business license of the company or enterprise;
- (v) Anyone who has a relatively large sum of overdue debts;
- (vi) Anyone who is investigated by judicial authorities for violation of criminal law and whose case is pending;
- (vii) Anyone who may not serve as a head of an enterprise pursuant to the provisions of laws and administrative regulations;
- (viii) Anyone who is not a natural person;
- (ix) Anyone convicted by the competent authorities to have violated the provisions of relevant securities laws, which involved in fraudulent or dishonest conducts and, less than five years has elapsed since the date on which the conviction was made;
- (x) Anyone who shall not do so in any other circumstances as stipulated by laws, administrative regulations or regulations of competent authorities, or relevant laws and regulations of the jurisdictions where the Shares of our Company are listed.

Anyone who holds a position other than director in the controlling shareholder or actual controller of our Company shall not serve as a senior management personnel of our Company.

The validity of the acts of the Directors, general manager and other senior management of our Company on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their appointment, election or qualifications.

The Board of Directors of our Company shall consist of seven Directors, including three independent non-executive directors, and shall have one chairman and one vice chairman. Directors shall be elected at the Shareholders' general meeting and are not required to hold any Shares of our Company.

The chairman and vice chairman of the Board shall be elected and dismissed with approval of more than half of all Directors.

Subject to compliance with related laws and administrative regulations, the Shareholders' general meeting may remove any director whose term of office has not expired by an ordinary resolution without prejudice to any claim for damages that may be made pursuant to any contract.

The Directors serve three-year terms. Upon expiration of the term, the Directors may be re-elected, but the consecutive terms of independent non-executive directors shall not exceed nine years.

Written notices concerning the intention to nominate a candidate to be a director and the indication of the nominee's intention to accept the nomination shall be sent to our Company not less than seven days before the Shareholders' general meeting is convened. The period of time allowed for the nominator and the nominee to submit the aforesaid written notices (which shall commence on the day after the dispatch of the notice of the Shareholders' general meeting) shall not be less than seven days.

There is no provision in the Articles of Association that imposes any age limit for Directors beyond which retirement of a Director is mandatory.

(i) Power to Borrow Money

These Articles does not have any special provision regarding the manner in which the Directors may exercise the right to borrow money or the manner in which such a right is given provided that the Directors shall be entitled to develop proposals for our Company to issue bonds and to list its Shares, and that such bond issues must be approved by the Shareholders by a special resolution at the Shareholders' general meeting.

(j) Responsibilities

When performing their responsibilities, the Directors, Supervisors, general managers and senior management of our Company shall bear the obligations to must comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, but is not limited to, performing the following obligations:

- (i) Acting honestly in the best interests of our Company;
- (ii) Exercising one's rights within the scope of authority and not to act ultra vires;
- (iii) Exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless and to the extent permitted by laws and administrative regulations or with the informed consent of Shareholders given in a meeting;
- (iv) Treating Shareholders of the same class equally and Shareholders of different classes fairly;
- (v) Entering into contract, transaction or arrangement with our Company is not allowed, unless otherwise in line with these Articles or otherwise by the approval of the Shareholders' general meeting with informed consent;

- (vi) Seeking personal benefit using the properties of our Company in any manner is not allowed, unless agreed by the Shareholders' general meeting with informed consent;
- (vii) Taking advantage of one's position to accept bribes or other illegal gains is not allowed, nor is any form of expropriation of funds or occupation of property of the Company, including, but not limited to, opportunities beneficial to our Company;
- (viii) Accepting commissions associated with transactions of our Company is not allowed unless agreed by the Shareholders' general meeting with informed consent;
- (ix) Compliance with these Articles, discharging duties in a faithful manner, safeguarding the interests of our Company rather than seeking personal gain by taking advantage of one's position and authority in our Company;
- (x) Competing with our Company in any manner is not allowed, unless agreed by the Shareholders at the Shareholders' general meeting with informed consent;
- (xi) Misappropriation of our funds or lending these funds to others is not allowed, nor is depositing the assets of our Company in an account opened in one's own name or other names and using the assets of our Company to provide guarantees for the debts of the Shareholders or other individuals of our Company allowed;
- (xii) Disclosure of any confidential information relating to our Company obtained during employment without the informed consent of the Shareholders' general meeting is not allowed; unless in the interest of our Company, the using of such information is also not allowed; however, under the following circumstances the information may be disclosed to a court or other competent government authorities as required by (1) the provisions of the law; (2) for the public interest; (3) for the interest of the Directors, Supervisors, general managers or other senior management.

The Directors, Supervisors, general managers and other senior management may not direct the following persons or institutions (the "related person") to do acts that the Directors, Supervisors, general managers and other senior management are prohibited from doing:

- (i) Spouses or minor children of the Directors, Supervisors, general managers and other senior management;
- (ii) Trustees of the Directors, Supervisors, general managers and other senior management or the persons mentioned in (i);
- (iii) Partners of the Directors, Supervisors, general managers and other senior management or persons mentioned in (i) and (ii);
- (iv) The company under de facto control by the Directors, Supervisors, general managers and other senior management individually or jointly with the persons mentioned in (i), (ii) and (iii) or other Directors, Supervisors, general managers and other senior management of our Company;

- (v) directors, supervisors, general managers and other senior management of the controlled companies mentioned in (iv).

The fiduciary duties owed by the Directors, Supervisors, general managers and other senior management of our Company may not necessarily terminate with the expiration of their terms of office; their obligation to keep the trade secrets of our Company in confidence shall survive the expiration of their terms of office. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time from the occurrence of the events to the time of termination of term of office, as well as the circumstances and conditions under which the relationship with our Company is terminated.

Except as otherwise provided in these Articles, liabilities of Directors, Supervisors, general managers and other senior management of the Company arising from the violation of specific duties may be released by informed consent given by Shareholders in general meetings.

Apart from the obligations required by the laws, administrative regulations or under the listing rules of the stock exchange where the Shares of our Company are listed, the Directors, Supervisors, general managers and other senior management shall assume the following obligations for each of the Shareholders when exercising their rights granted by our Company:

- (i) They may not cause our Company to operate beyond the scope of business indicated on our business license;
- (ii) They shall act honestly in the best interests of our Company;
- (iii) They may not deprive our Company of our properties in any manner, including, but not limited to, opportunities beneficial to our Company; and
- (iv) They may not deprive the Shareholders of personal rights and interests, including, but not limited to, distribution rights and voting rights, except for restructuring of our Company approved at the Shareholders' general meeting pursuant to the provisions of these Articles.

The Directors, Supervisors, general managers and other senior management have the responsibility when exercising their rights or fulfilling out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

In addition to various rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager and other senior management is in breach of his/her duties to the Company, the Company has a right to:

- (i) claim damages from the director, supervisor, general manager and other senior management in compensation for losses sustained by the Company as a result of such breach;
- (ii) rescind any contract or transaction entered into by the Company with the director, supervisor, general manager and other senior management, and with a third party (where such third party knows or should know that there is such a breach of duties by such director, supervisor, general manager and other senior management);

- (iii) demand an account of the profits made by the director, supervisor, general manager and other senior management in breach of his/her duties;
- (iv) recover any monies received by the director, supervisor, general manager and other senior management which should otherwise have been received by the Company, including but not limited to commissions; and
- (v) request the director, supervisor, general manager and other senior management to return the interests accrued or may be accrued on the monies which should have been paid to the Company.

2 MODIFICATION OF THESE ARTICLES

Our Company may amend these Articles based on the provisions of the laws, administrative regulations and these Articles.

Any amendment to these Articles that involves the contents of Mandatory Provisions shall be approved by company approval authorities authorised by the State Council and the securities regulatory authorities of the State Council before taking effect. Where the amendment of these Articles involves our registration, it shall be necessary to carry out registration change according to the laws.

3 CHANGES TO THE RIGHTS OF CLASS SHAREHOLDERS

Shareholder who holds different classes of Shares is a class Shareholder. Any plan of our Company to change or abolish the rights of a class. Shareholder is subject to the approval of the Shareholders' general meeting in the form of a special resolution and the approval of the affected class Shareholders at a separately convened Shareholders' meeting in accordance with these Articles before it can be implemented.

The rights of a class Shareholder shall be viewed as changed or abolished under the following circumstances:

- (a) Increase or reduce the number of the Shares of such class, or increase or reduce the number of Shares of a class with equal or more voting rights, distribution rights and other privileges as such class of classified Shares;
- (b) Convert all or part of the Shares of such class into other classes or convert another class of Shares, partly or wholly, into such class of Shares or grant such conversion right;
- (c) Cancel or reduce the right of the Shares of such class to obtain incurred dividends or cumulative dividends;
- (d) Reduce or cancel the right of the Shares of such class to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;

- (e) Increase or cancel or reduce the right of the Shares of such class to convert Share rights, options rights, voting rights, transfer rights, and pre-emptive rights, or the right to obtain the securities of our Company;
- (f) Cancel or reduce the right of the Shares of such class to receive funds payable of our Company in specified currencies;
- (g) Create new class of Shares entitled to equal or more voting rights, distribution rights, or other privileges as the Shares of such class;
- (h) Impose restrictions on the transfer or ownership of the Shares of such class or increase such restrictions;
- (i) Issue subscription or conversion rights for Shares of such class or another class;
- (j) Increase the rights and privileges of other classes of Shares;
- (k) The restructuring plan of our Company may constitute different classes of Shareholders to assume responsibilities disproportionately;
- (l) Amend or abolish clauses stipulated in these Articles.

Whether or not the affected class Shareholders have voting rights at the Shareholders' general meeting, in the event of matters described above from (b) to (h), (k) and (l), they have voting rights at the class meeting, but the Shareholders that have interests (as defined in these Articles) shall have no voting rights at the class meeting.

The resolution of the class meeting shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the class meeting.

When convening a class meeting, 45 days before the meeting is convened, our Company shall send a written notice to inform all registered holders of the Shares of that class on matters to be deliberated at the meeting, as well as the date and venue of the meeting. Shareholders planning to attend the meeting shall send our Company a written reply concerning attendance at the meeting 20 days before the meeting.

In the event that the number of Shares with voting power represented by Shareholders planning to attend the meeting accounts for more than one half of the total number of the Shares of such class with voting power at the meeting, our Company may convene a class meeting. If this number is not reached, our Company shall again inform the Shareholders of the matters to be deliberated as well as the date and venue of the meeting within five days in the form of an announcement and our Company may convene a class meeting once the announcement is delivered.

Any quorum necessary to convene a class meeting (excluding an adjourned meeting thereof) for the purpose of changing the rights of a class of Shares shall be at least one thirds holders of the issued shares of that class.

The notice of the class meeting needs only to be sent to the Shareholders who have the right to vote at the meeting.

Insofar as possible, a class meeting shall be held in accordance with the same procedures as those of the Shareholders' general meeting, and a clause that relates to the procedures for convening the Shareholders' general meeting in these Articles shall apply to any class meeting.

Apart from the shareholders of Shares of other classes, the shareholders of Domestic Shares and the shareholders of overseas listed foreign invested Shares are considered as different class Shareholders.

The special procedures for voting by the class Shareholders shall not apply under the following circumstances:

- (a) Upon the approval by a special resolution at the Shareholders' general meeting, our Company either separately or concurrently issues Domestic Shares and overseas listed foreign invested Shares once every 12 months, and the number of those shares to be issued shall not exceed 20% of its existing issued Domestic Shares and overseas listed foreign invested Shares respectively;
- (b) The plan to issue Domestic Shares and overseas listed foreign invested Shares since the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council;
- (c) Upon the approval by the securities regulatory authorities of the State Council, the unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange.

4 SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY MAJORITY VOTE

Resolutions of general meetings are classified as ordinary resolutions and special resolutions.

To adopt an ordinary resolution, not less than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting must be cast in favor of the resolution.

To adopt a special resolution, not less than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be cast in favor of the resolution.

5 VOTING RIGHTS

When voting at the general meetings, shareholders (including proxies) exercise their voting rights in accordance with the number of shares with voting rights represented by them, and each share entitles the shareholder one voting right upon voting at the shareholders' general meeting.

When voting at a general meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to cast all his or her votes against or in favor of the resolution.

When the number of dissenting votes equals the number of affirmative votes, the chairman of the meeting is entitled to one additional vote.

6 SHAREHOLDERS' GENERAL MEETINGS

The shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings are called by the Board of Directors. The annual general meeting shall be convened once a year and be held within six months after the end of the previous fiscal year.

7 ACCOUNTING AND AUDITS

(a) Financial and accounting policies

Our Company shall develop its financial and accounting policies pursuant to the PRC laws, administrative regulations, as well as accounting standards developed by the competent financial department under the State Council.

The Board of Directors shall submit the financial reports of our Company, as required by the laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company, at every Shareholders' annual meetings.

Apart from the Chinese accounting standards for business enterprises and regulations, the financial reports of our Company shall also conform to international accounting standards and the accounting standards of overseas place where the Shares are listed. In the event of any major discrepancy between the financial reports prepared in accordance with the two accounting standards, such difference must be provided in the notes to the financial reports. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower, shall prevail.

Our Company shall make its financial reports available for inspection by the Shareholders 20 days before the annual general meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

Our Company shall send the aforesaid reports to each of the holders of overseas listed foreign invested Shares in the manner as stipulated in these Articles or by postage-paid mail at least 21 days before the annual general meeting is convened and the recipient's address shall be the address as shown in the register of Shareholders.

Our Company's interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with the PRC accounting standards, regulations, international accounting standards as well as the accounting standards of the overseas place in which the Shares are listed.

Our Company must publish the financial reports twice in each fiscal year. Interim financial reports shall be published within 60 days after the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days after the completion of each fiscal year.

Our Company shall not keep any accounting books other than those specified by law. No assets of Our Company shall be deposited in any account opened in the name of any individual.

(b) Appointment and Dismissal of Accountants

Our Company shall appoint an independent accounting firm with qualifications that meets appropriate requirements of the state to be responsible for auditing its annual report and other financial reports.

The term of office the accounting firm appointed by our Company shall start from the conclusion of the annual general meeting and continue until the conclusion of the next annual general meeting.

Without prejudice to the right of the accounting firm to claim for compensation (if any) for being dismissed and replaced, the Shareholders may replace the accounting firm by an ordinary resolution at the Shareholders' general meeting prior to the expiration of the term of office of any accounting firm notwithstanding the terms and conditions of the contract howsoever entered into between our Company and the accounting firm.

Remuneration of the accounting firm and the manner in which the remuneration is determined shall be decided on by the Shareholders at the Shareholders' general meeting. The remuneration of the accounting firm appointed by the Board of Directors shall be confirmed by the Board of Directors.

Appointment, dismissal or termination of the contract of the accounting firm by our Company is subject to the resolution of the Shareholders at the Shareholders' general meeting and shall be filed with the securities regulatory authority of the State Council.

Our Company shall send a notice to the accounting firm 15 days before dismissing or terminating the contract with the accounting firm, notifying it of the relevant matters, and the accounting firm shall be entitled to attend the Shareholders' general meeting and make a statement.

In the event that the accounting firm requests to resign, it shall declare to the Shareholders' general meeting whether our Company is affected by any improprieties.

The accounting firm shall resign by sending a written resignation notice to our Company's legal address. The notice shall take effect on the date of delivery to that address of our Company or on the date specified in the notice, whichever is later. The notice shall include the following statements:

- (i) Its resignation does not include any statement that should be disclosed to the Shareholders or creditors of our Company; or
- (ii) Any statement that should be disclosed.

Our Company shall, within 14 days after receipt of the written notice referred to in the preceding paragraph, send a copy of the notice to the competent authority. If the notice contains a statement under the sub-paragraph (ii) of the preceding Article, a copy of such statement shall be placed at our Company for shareholders' inspection. Our Company shall also send a copy of such statement by prepaid mail to every shareholder who is entitled to receive our Company's financial statements at the address registered in the register of shareholders.

In the event that the resignation notice of the accounting firm contains a statement under the sub-paragraph (ii) of the preceding Article, the accounting firm may request the Board of Directors to convene an extraordinary general meeting to hear its explanation regarding the resignation.

8 NOTIFICATION AND AGENDA OF SHAREHOLDERS' GENERAL MEETINGS

The Shareholders' general meeting is the organ of authority of our Company that performs duties and exercises powers in accordance with the law.

Without the approval of a special resolution of the Shareholders' general meeting, our Company shall not enter into a contract with any person other than the Directors, Supervisors, the general manager and other senior management that would make a person responsible for the management of all or part of the main business of our Company.

The Board shall hold an extraordinary general meeting within two months after the occurrence of one of the following events:

- (a) the number of directors is less than the number required by the Company Law of the PRC or less than two-thirds of the number required by these Articles;
- (b) the uncovered losses reach one-third of the Company's total paid-up share capital;
- (c) shareholder(s) who individually or jointly holds 10% or more of the Company's issued and outstanding voting shares request(s) in writing an extraordinary general meeting to be convened;
- (d) the Board considers it necessary or the Supervisory Committee proposes to convene such meeting;
- (e) half or more of the Independent Non-executive Directors propose to convene such meeting;
or
- (f) such other circumstances as required by laws, administrative regulations, regulations of competent authorities or these Articles.

A written notice of shareholders' general meeting shall be given to all shareholders whose names appear in the register of members 45 days before the meeting is held, specifying the matters to be considered at and the date and venue of the meeting. A shareholder who intends to attend the shareholders' general meeting shall deliver a written reply slip to inform the Company of his/her intention to attend 20 days before the meeting is held.

The Board, the Supervisory Committee, and Shareholder(s) individually or jointly holding 3% or more of the Company's shares shall have the right to propose resolutions to the Company for consideration at shareholders' general meeting. The Company shall calculate the number of voting shares represented by shareholders who intent to attend the meeting based on the written reply slip received by it 20 days before the shareholders' general meeting is held.

In the event that the number of voting shares represented by shareholders who intend to attend the meeting is more than half of the total number of the voting shares of the Company, the Company shall hold the shareholders' general meeting. Otherwise, the Company shall, within five days, notify shareholders again of the matters to be considered at and the date and venue for the meeting by way of announcement. The Company shall hold the shareholders' general meeting after such announcement has been made.

A notice convening a shareholders' general meeting shall satisfy the following criteria:

- (a) be made in writing;
- (b) specify the place, date and time of the meeting;
- (c) state the matters to be discussed at the meeting;
- (d) specify the date of record for shareholders entitled to attend the shareholders' general meeting;
- (e) provide the shareholders with such information and explanation which are necessary for the shareholders to make an informed decision on the matters to be discussed. This principle shall include (but not limited to) that, where a proposal is made by the Company to merge with another company, to repurchase shares, to reorganise the share capital or to restructure the Company in any other way, the specific conditions of the proposed transaction and contract, if any, must be provided and its cause and effect must be conscientiously explained;
- (f) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, general manager, or other senior management members in the matters to be discussed. If the effects of the matters to be discussed on such Director, Supervisor, general manager, or other senior management members in their respective capacity as shareholders are different from the effects on other shareholders of the same class, the difference shall be set out;
- (g) contain the text of any special resolution proposed to be passed at the meeting;
- (h) contain a conspicuous statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy does not need to be a shareholder;
- (i) to specify the time and venue for serving the proxy forms for the meeting; and
- (j) to specify the name and telephone number of the standing contact person of the meeting.

Unless relevant laws, administrative regulations, listing rules of the listing venue and these Articles otherwise require, notices of shareholders' general meetings shall be served on the shareholders (whether or not they are entitled to vote at the meeting) by personal delivery or prepaid mail to their addresses registered in the register of shareholders. For holders of domestic shares, such notice of shareholders' general meeting may also be given by way of announcement.

The announcement referred to above shall be published in one or more newspapers designated by the securities regulatory authority of the State Council during a period of 45 days to 50 days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant shareholders' meeting.

The accidental omission to give notice of a meeting to, or the failure to receive notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting and the decision made at that meeting.

Independent non-executive Directors shall be entitled to propose an extraordinary meeting of the Board, which however, shall require the consent of more than half of the Directors. If the aforesaid proposal is not accepted or the aforesaid functions and powers cannot be exercised properly, the Company shall disclose the relevant circumstances.

The Supervisory Committee shall be entitled to propose to the Board the convening of an extraordinary general meeting or a class meeting, provided that such proposal shall be made in writing. The Board shall, in accordance with laws, administrative regulations and these Articles, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting or a class meeting within ten days upon receipt of such proposal. If the Board agrees to convene an extraordinary general meeting or a class meeting, a notice of meeting shall be issued within five days after the passing of the relevant resolution by the Board. Any amendment to the original proposal made in the notice shall obtain the approval of the Supervisory Committee. If the Board does not agree to convene an extraordinary general meeting or a class meeting or does not furnish any reply within ten days after receiving such proposal, the Board shall be deemed to be incapable of performing or failing to perform the duty of convening a general meeting or a class meeting, in which case the Supervisory Committee may convene and preside over such meeting on its own.

Two or more shareholders individually or collectively holding more than ten percent (including the ten percent) of the shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall as soon as possible after receipt of such written requisition(s) proceed to so convene the extraordinary general meeting or class meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).

Where the Board fails to issue notice of convening meeting within thirty days upon receipt of the above written request, shareholder(s) making such request may request by written requisition(s) the Supervisory Committee to convene the extraordinary general meeting or class meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting or the class meeting, a notice of meeting shall be issued within five days upon receipt of such requisition. Any amendment to the original proposal made in the notice shall obtain the approval of relevant shareholders. If the Supervisory Committee does not issue a notice of meeting within the prescribed period, it shall be deemed to fail to convene and preside over the meeting, and shareholder(s) individually or jointly holding over 10% of the shares of the Company for more than ninety consecutive days may convene and preside over such meeting on his/their own.

If Shareholders or supervisors call and convene a meeting by themselves since the Board has not convene a meeting in accordance with the foresaid request, the expenses reasonably resulted therefrom shall be borne by our Company and be deducted from the amounts paid to the Directors who have failed to perform their duties.

A shareholders' general meeting shall be convened by the Board and be presided over by the chairman of the Board who shall act as chairman of the meeting. If the chairman of the Board is unable to perform his/her duties or fails to perform his/her duties, the deputy chairman of the Board shall preside over the meeting and act as chairman of the meeting. If the deputy chairman is unable to perform his/her duties or fails to perform his/her duties, a director jointly chosen by more than half of the directors shall preside over the meeting and act as chairman of the meeting. If no chairman of the meeting has been designated, shareholders present at the meeting shall elect one person to be the chairman of the meeting. Where the shareholders fail to elect a chairman of the shareholders' general meeting for any reason, the shareholder (including his/her proxy) present in person or by proxy who holds the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.

The following matters shall be approved by ordinary resolutions of a shareholders' general meeting:

- (a) Work report of the Board and the supervisory committee;
- (b) Plans for profit distribution and making up of losses by the Board;
- (c) Appointment or dismissal of the members of the Board and shareholder representative supervisors , their remuneration and payment methods;
- (d) Annual budget, final account report, balance sheet, income statements and other financial statements of our Company; and
- (e) Other matters in addition to those which shall be approved by special resolutions stipulated in the laws, administrative regulations, listing rules of the stock exchange on which Shares are listed or the Articles of Association.

The following matters shall be approved by special resolutions of a shareholders' general meeting:

- (a) the increase or decrease in share capital, repurchase of shares of the Company and the issuance of shares of any class, warrants and other similar securities of the Company;
- (b) the issuance of corporate bonds by the Company;
- (c) the division, merger, dissolution, liquidation or change of the form of the Company;
- (d) the purchases and disposals of the Company's material assets or the extension of guarantees with a value exceeding 30% the Company's latest audited total assets in a year;

- (e) the amendments to these Articles; and
- (f) other matters specified by the laws, administrative regulations or these Articles and matters specified by ordinary resolutions of shareholders' general meeting that are considered to be significant to the Company and shall be approved by special resolutions.

9 SHARE TRANSFER

Our Company shall not accept any pledge of its shares.

Upon obtaining the approval from the State Council's securities regulatory authority, our Shareholders may list and trade their unlisted Shares in an overseas stock exchange. The listing and trading of such Shares shall comply with the procedures, regulations and requirements prescribed by the relevant overseas stock market. No class Shareholder voting is required for such listing and trading of Shares on an overseas stock exchange.

The Shares held by the promoters may not be transferred within one year after our incorporation. Shares issued by our Company prior to the public offering. Shares issued before the public offering of our Company are transferrable subject to the applicable laws, regulations and the relevant requirements of the Listing Rules.

The Directors, Supervisors and senior management shall report to our Company the number of Shares held by them as well as the subsequent changes in their shareholdings. The number of Shares which a Director, Supervisor or senior management may transfer each year during his term of office may not exceed 25% of the total number of the Shares owned by them, and the Shares may not be transferred within one year after the date on which the Shares are listed and traded on the stock exchange. The above personnel may not transfer the Shares held by them within six months after resignation.

In the event that the Directors, Supervisors, senior management or Shareholders holding 5% or more of the Shares sell their Shares within six months after purchasing them, or buy them back within six months after selling them, all proceeds obtained therefrom shall be vested in by our Company and the Board of Directors shall forfeit such proceeds from the above-mentioned persons. However, the six-month restriction shall not apply for a securities company holding 5% or more of our Company's Shares as a result of its underwriting of the untaken Shares in an offer.

If the Board of our Company fails to comply with the provision set forth in the preceding paragraph, a Shareholder shall have the right to require the Board to effect the same within 30 days. If the Board fails to do so within the said time limit, a shareholder shall have the right to initiate proceedings in a court directly in his own name in the interests of our Company.

If the Board of our Company fails to comply with the provision set forth in this paragraph, the responsible Director(s) shall be legally liable therefor jointly and severally.

All fully paid up overseas listed foreign invested shares listed in Hong Kong shall be transferred freely according to these Articles .However, unless the overseas listed foreign invested Shares listed in Hong Kong meet the following conditions, the Board of Director may refuse to recognise any transfer document without giving any reason:

- (a) The payment to our Company of HK\$2.50 per item of transfer document or the maximum fee provided by the Hong Kong Stock Exchange from time to time to register the share transfer documents and other documents that are related to or may affect the ownership of the Shares;
- (b) The transfer documents only involve overseas listed foreign invested Shares listed in Hong Kong;
- (c) The stamp duty chargeable on the transfer documents has been paid;
- (d) The relevant Share certificate, upon the reasonable request of the Board of Directors, and any evidence in relation to the right of the transferor to transfer the Shares has been submitted;
- (e) If the Shares are to be transferred to joint holders, the number of the joint holders shall not exceed four; and
- (f) Our Company does not have any lien on the relevant Shares.

No change may be made to the information in the register of Shareholders as a result of the share transfer within 30 days before the Shareholders' general meeting is convened or within five days prior to the record date on which our Company has decided to distribute dividends.

10 RIGHTS OF OUR COMPANY TO BUY BACK OUR OUTSTANDING ISSUED SHARES

Our Company may, in accordance with the procedures set out in these Articles and subject to the approval of the relevant governing authority of the PRC, repurchase its issued shares under the following circumstances:

- (a) Cancellation of the Shares to reduce our Company's share capital;
- (b) Merger with other companies which hold Shares of our Company;
- (c) Granting Shares to the staff of our Company as incentives;
- (d) Buying back the Shares from Shareholders who vote against any resolutions adopted at the Shareholders' general meeting concerning the merger and division of our Company; or
- (e) Other circumstances as required by the laws and administrative regulations and as approved by the competent authorities of the PRC.

If our Company buys back the Shares according to the provision of the preceding paragraph under the circumstances set forth in (a), the Shares bought back must be cancelled within ten days after the date on which they are bought back. In the event of the circumstances set forth in (b) and (d), the Shares bought back must be transferred or cancelled within six months.

In the event that our Company buys back the Shares pursuant to the provisions of (c) in the preceding paragraph, the Shares to be bought back may not exceed 5% of the total Shares issued. The fund used for such buyback must be paid out of the after-tax net profit of our Company and the Shares bought back must be transferred to the staff within one year.

Our Company may, upon the approval of the relevant PRC governing authorities, repurchase its shares in one of the following ways:

- (a) Making an offer on a pro-rata basis to all Shareholders;
- (b) Buying back Shares through public trading on the stock exchange;
- (c) Buying back Shares by an off-market agreement;
- (d) In other ways provided by the laws and administrative regulations and approved by the competent authorities of the PRC.

Where our Company buys back the Shares by an off-market agreement, it shall obtain prior approval at the Shareholders' general meeting pursuant to these Articles. Likewise, subject to the prior approval of the Shareholders' general meeting, our Company may rescind or change the contract signed in the aforesaid manner or waive any of its rights in the contract.

As for the redeemable Shares that our Company is entitled to buy back, if they are not bought back in the market or by tender, the price may not exceed a certain maximum limit. If the Shares are bought back by tender, a tender must be made to all Shareholders on equal terms.

The contract that buys back the Shares includes, but is not limited to, an agreement that consents to undertake the obligation to buy back the Shares and acquire the rights of the Shares bought back.

Our Company shall not transfer any contract that buys back the Shares or any rights conferred under the contract.

Unless our Company has entered into the liquidation process, we must observe the following provisions for the buyback of issued Shares:

- (a) Where our Company buys back Shares at par value, the funds shall be deducted from the book surplus of our distributable profits and the proceeds obtained from the issue of new Shares to buy back the old Shares;

- (b) Where our Company buys back the Shares at a premium to the par value, the portion of funds equivalent to par value shall be deducted from the book surplus of our distributable profits and the proceeds obtained from the issue of new Shares made for the purpose of buying back of Shares, while the portion of funds in exceed of par value shall be dealt with in the following manners:
 - (i) Where the Shares bought back were issued at par value, the funds shall be deducted from the book surplus of our distributable profits;
 - (ii) Where the Shares bought back were issued at a premium to the book value, the funds shall be deducted from the book surplus of our distributable profits and the proceeds obtained from the issue of new Shares made for the purpose of buying back of Shares. However, the amount deducted from the proceeds obtained from the issue of new Shares shall not exceed the total premium amount obtained when the Shares being bought back were issued or the amount (including the premium amount of the issue of new Shares) in our premium account (or capital reserve account) when the Shares are bought back.
- (c) The funds paid by our Company for the following purposes shall be allocated from our distributable profits:
 - (i) To obtain the right to buy back the Shares;
 - (ii) To modify any contract to buy back the Shares;
 - (iii) To release any obligation of our Company under the Share buyback contract.
- (d) After the total par value of the cancelled Shares is deducted from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable profits for paying up the par value portion of the Shares bought back shall be credited to our premium account (or capital reserve account).

11 POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in these Articles relating to ownership by any subsidiary of our Company of shares in its parent.

12 DIVIDENDS AND METHODS OF DISTRIBUTION

Our Company may distribute dividends in the following manners (or both of them):

- (a) cash;
- (b) shares;
- (c) other methods permitted by laws, administrative regulations, rules of competent authorities and regulatory rules in the place where the Shares are listed.

Our Company shall appoint receiving agents for holders of the overseas listed foreign Shares. Such receiving agents shall receive dividends which have been declared by our Company and all other amounts which our Company should pay to holders of the overseas listed foreign Shares on such shareholders' behalf.

The receiving agents appointed by our Company shall comply with the related provisions of the laws or the stock exchange where the Shares are listed.

The receiving agents appointed for holders of the overseas listed foreign Shares listed in Hong Kong Stock Exchange shall each be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

With respect to receipt of dividends by Shareholders, subject to compliance with laws, administrative regulations, rules of competent authorities and requirements of the relevant stock exchange, our Company has the right to forfeit unclaimed dividends, provided that such right shall not be exercised before the expiry date of applicable period.

13 SHAREHOLDER PROXIES

Any Shareholder who is entitled to attend and vote at our general Shareholders' meetings has the right to appoint one or several persons (who may not necessarily be Shareholders) as his or her Shareholder proxy to attend and vote at the meeting on his or her behalf. The Shareholder proxy so appointed by the Shareholder may, pursuant to the instructions of the Shareholder, exercise the following rights:

- (a) the right which the Shareholder has to speak at the Shareholders' general meeting;
- (b) the right to demand a poll alone or jointly with others; and
- (c) the right to exercise voting rights on a show of hands or on a poll, unless otherwise specified in applicable rules governing the listing of securities or other securities laws and regulations. However, when more than one Shareholder proxy is appointed, the Shareholder proxies may only exercise such voting rights on a poll.

The Shareholder proxy appointment shall be in writing and shall be signed by the appointor or a person duly authorised in writing. Where the appointor is a legal entity, the seal of the legal entity shall be affixed, or signed by the Director or a duly authorised agent. The authorisation letter of a voting proxy shall be deposited at our Company's domicile or at such other place as is specified in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is appointed to vote is convened or 24 hours before the designated time at which the resolution is adopted. If the power of attorney is signed by another person authorised by the appointor by means of power of attorney or other authorisation documents, the power of attorney or other authorisation documents must be notarized. The notarized power of attorney or other authorisation documents shall be kept together with the power of attorney appointing the entrusted representative at our address or other location designated at the notice convening the meeting. The notarized power of attorney or other authorisation documents shall, together with the authorisation letter of the voting proxy, be deposited at our Company's domicile or at such other place as is specified in the notice convening the meeting.

Where the appointor is a legal person, its legal representative or any person authorized by resolutions of its board of directors or other governing body shall attend our Shareholders' general meeting as a representative.

Any form sent by the Directors to the Shareholder for appointing a shareholder proxy shall allow the Shareholder, according to his or her free will, to instruct the proxy to vote for or against and provide instructions for each resolution dealing with matters to be put to vote on the meeting agenda. The power of attorney shall specify that the shareholder proxy may vote at his or her own discretion if the Shareholder does not provide instructions.

The votes of the shareholder proxy given pursuant to the terms of an instrument of proxy shall remain valid notwithstanding the previous death, loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that our Company does not receive written notice concerning such matters before the related meeting is convened.

14 CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in these Articles relating to calls on Shares and forfeiture of Shares.

15 INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Our Company may, in accordance with the understanding or agreements between the competent authority in charge of securities under the State Council and the overseas securities regulatory organisations, maintain the register of the holders of the overseas listed foreign Shares and appoint overseas agent(s) to manage it. The original register of the holders of the overseas listed foreign Shares listed in Hong Kong shall be kept in Hong Kong.

Duplicates of the register of the holders of the overseas listed foreign Shares shall be maintained at the domicile of our Company. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the register of the holders of the overseas listed foreign Shares.

In case of inconsistency between the original and duplicate of the register of the holders of the overseas listed foreign Shares, the original shall prevail.

Our Company must keep a complete register of Shareholders. The register of Shareholders shall include the following:

- (a) register(s) of Shareholders other than those specified in paragraphs (b) and (c) below kept at the domicile of Our Company;
- (b) register(s) of holders of our Company's overseas listed foreign Shares kept at the domicile of the stock exchange(s) where such Shares are listed; and
- (c) register(s) of Shareholders kept at other places as the Board thinks necessary for the purpose of the listing of the Shares.

Different parts of the register of Shareholders shall not overlap. The transfer of Shares registered in a certain part of the register of Shareholders shall not be registered in other parts of the register of Shareholders as long as such register remain in effect. Any alteration or rectification to any part of the register of Shareholders shall be made in accordance with the laws in the place where such part of the register of Shareholders is maintained.

No change of the register of Shareholders as a result of share transfer shall be made within 30 days before the Shareholders' general meeting is convened or within five days prior to the record date on which our Company decides to pay dividends.

When our Company convenes the Shareholders' general meeting, pays dividends, goes into liquidation or is involved in other actions that require the determination of shareholding, the Board shall fix a date as the shareholding registration date, upon expiration of which the Shareholders whose names appear on the register of Shareholders shall be the Shareholders.

Any person who objects to the register of Shareholders and requests to register his or her name (title) in the register of Shareholders or to remove his or her name (title) from the register of Shareholders may apply to the court with jurisdiction to amend the register of Shareholders.

The Shareholders are entitled to obtain the following information in accordance with the provisions of these Articles, including:

- (a) to obtain a copy of these Articles, subject to payment of the cost of such copy;
- (b) to inspect and copy all parts of the register of Shareholders and personal particulars of each of our Company's Directors, supervisors, general managers and other senior management, subject to payment of a reasonable charge;
- (c) status of the share capital of our Company;
- (d) our Company's latest audited financial statements and report of the Board of Directors, Audit Committee and Supervisory Committee;
- (e) special resolutions of the Shareholders' general meeting and/or meeting of the Board of Directors ;
- (f) Report on the total par value, quantity, highest and lowest prices of each class of Shares repurchased by our Company since the end of the previous accounting year and all expenses paid by our Company for this purpose;
- (g) minutes of the Shareholders' general meeting;
- (h) copy of the latest annual inspection report submitted to the relevant industry and commerce administration authorities in the PRC or other competent authorities for record.

16 QUORUM OF SHAREHOLDERS' GENERAL MEETINGS AND CLASS SHAREHOLDERS' GENERAL MEETING

If the number of Shares carrying voting rights represented by the Shareholders who intend to attend the meeting exceeds one half of the total number of Shares carrying voting rights, our Company may convene the Shareholders' general meeting. Otherwise, our Company shall within 5 days notify the Shareholders once again by way of announcement of the matters to be considered at the meeting as well as the date and the venue of the meeting. Once a notice is made by announcement, our Company may convene the Shareholders' general meeting.

If the number of a class of Shares carrying voting rights represented by the Shareholders who intend to attend the meeting exceeds one half of the total number of such class of Shares, our Company may convene a class Shareholders' meeting. Otherwise, our Company shall within 5 days notify the Shareholders once again by way of announcement of the matters to be considered at the meeting as well as the date and the venue of the meeting. Once a notice is made by announcement, our Company may convene the Shareholders' general meeting.

17 RESTRICTIONS ON RIGHTS OF OUR CONTROLLING SHAREHOLDERS

Apart from the obligations required in laws, administrative regulations or the listing rules of the stock exchange on which our Shares are listed, our Controlling Shareholder shall not make any decision that is detrimental to the interest of all or part of the Shareholders on the following issues by exercising his or her voting rights:

- (a) Releasing the Directors and Supervisors from the responsibility of acting honestly in the best interest of our Company;
- (b) Permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of properties in any form, including, but not limited to, any opportunity that is beneficial to our Company;
- (c) Permitting the Directors and Supervisors (for their own or others' interests) to deprive other Shareholders of their personal interests, including, but not limited to, any distribution or voting right, but excluding the restructuring of our Company approved at the Shareholders' general meeting pursuant to these Articles.

Controlling Shareholders and actual controllers of the Company shall not use their associated relationships to harm the interests of the Company. Otherwise, they shall be liable to compensate the Company against losses the Company has thus suffered in violation of the regulations.

Controlling Shareholders and actual controllers of the Company bear a fiduciary duty toward the Company and social public Shareholders. Controlling Shareholders shall strictly and legally exercise the rights of capital contributors and shall not impair the lawful rights of the Company and social public Shareholders by such means as profit distribution, assets reorganisation, external investment, appropriation of funds and loan guarantee, nor shall they with their controlling status damage the interests of the Company and social public Shareholders.

18 COMPANY LIQUIDATION

Under any of the following circumstances, our Company shall be dissolved and lawfully liquidated:

- (a) the operating period expires;
- (b) the Shareholders' general meeting resolves to dissolve the Company;
- (c) dissolution of the Company is necessary as a result of the merger or dissolution of the Company;
- (d) the Company is legally declared bankrupt because of its failure to repay the debts upon their maturity;
- (e) The business license is revoked, or our Company is ordered to close down or be abolished according to applicable law;
- (f) Where our Company encounters significant difficulties in business and management, its continuous survival may be significantly detrimental to the interests of the Shareholders, and the difficulties may not be solved through other means, in which case shareholders holding more than 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company;
- (g) Other circumstances where our Company is ordered to close by laws and regulations.

If the Company is dissolved pursuant to (a), (b), (e), (f) above, it shall establish a liquidation team within 15 days after the dissolution circumstance arises. The liquidation team shall comprise members determined by the directors or the general meeting. If the liquidation team is not duly set up, the creditors may request the People's Court to designate related persons to form a liquidation team to carry out liquidation.

If the Company is dissolved pursuant to item (d) of the preceding article, the People's Court shall, according to relevant laws, arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation team to carry out the liquidation.

If the Board of Directors decides the Company should be liquidated (otherwise than because of a declaration of bankruptcy), the notice of the Shareholders' general meeting convened for such purpose shall include a statement to the effect that the Board of Directors has thoroughly investigated into the status of the Company, and is of the opinion that the Company can pay its debts in full within 12 months after the commencement of liquidation.

After the resolution to liquidate our Company is passed by the Shareholders' general meeting, the powers and duties of the Board of Directors of the Company shall terminate immediately.

In accordance with the instructions of the Shareholders' general meeting, the liquidation team shall at least once a year report at the Shareholders' general meeting on the income and expenditure of the liquidation team, the business and progress of liquidation of our Company, and submit a final report at the Shareholders' general meeting upon completion of liquidation.

Within ten days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in newspaper within 60 days. The creditors shall declare their claims to the liquidation team within 30 days from the date on which the notice is received or 45 days after the date of announcement if the notice is not received. The liquidation team shall carry out registration of the creditors' claims.

The liquidation team shall exercise the following powers during the liquidation period:

- (a) Take stock of our Company's assets and prepare a balance sheet and a list of assets respectively;
- (b) Notify or publish an announcement to creditors;
- (c) Deal with and liquidate any pending business associated with our Company;
- (d) Pay outstanding taxes and taxes in connection with liquidation;
- (e) Settle claims and debts;
- (f) Dispose of the remaining assets of our Company after paying up all the debts;
- (g) Represent our Company in civil litigation proceedings.

After taking stock of the assets of our Company and having prepared the balance sheet and list of properties, the liquidation team shall draw up a liquidation proposal and submit it to the Shareholders' general meeting or the people's court for confirmation.

In the event of liquidation in connection with dissolution of the Company and the liquidation team finds that, after taking stock of our Company's assets and having prepared the balance sheet and list of assets, that the properties of the Company are insufficient to pay the debts, it shall immediately apply to the people's court to declare insolvency.

After our Company is declared insolvent by ruling of the people's court, the liquidation team shall turn over matters regarding the liquidation to the people's court.

Upon completion of liquidation of our Company, the liquidation team shall prepare a liquidation report, income and expenditure report and financial books during the liquidation period, which, after being audited by a PRC certified accountant, shall be submitted to our Shareholders general meeting or relevant competent authorities for confirmation.

Within 30 days after the date of approval by the Shareholders' general meeting or relevant competent authorities, the liquidation team shall submit the above-mentioned documents to the company registration authority and apply for cancellation of our registration and publish an announcement on our termination.

19 OTHER PROVISIONS OF GREAT SIGNIFICANCE FOR OUR COMPANY OR THE SHAREHOLDERS

(a) General Provisions

Our Company is a perpetually existing joint stock limited liability company.

Our Company may invest in other companies, provided that, unless required by law, it may not become a jointly liable investor for the liability commitments of the invested company.

These Articles are binding on the Company and its shareholders, Directors, supervisors and senior management, all of whom are entitled to claim rights regarding the Company's affairs in accordance with these Articles. Shareholders may sue the Company, the Company may also sue shareholders, shareholders may sue other shareholders, and shareholders may sue the Directors, Supervisors, general managers and other members of senior management of the Company.

The shareholding of the Company takes the form of share certificates. All share certificates issued by the Company have a par value of RMB1 per Share.

The Company shall issue Shares under the principles of openness, fairness and equality that Shares of the same class shall rank *pari passu*. The issuing conditions and price of each Share of the same class in the same issue shall be same. Each of such Shares subscribed for by any unit or individual shall be paid at the same price.

(b) Increase and Decrease of Shares

Our Company may increase share capital by the following means:

- (i) Offer new Shares to unspecified investors;
- (ii) Place new Shares with existing Shareholders;
- (iii) Offer new Shares to existing Shareholders;
- (iv) Convert the reserve funds into share capital;
- (v) By other means stipulated by laws, administrative regulations or approved by the securities regulator of the State Council.

Upon approval to increase our Company's share capital according to the provisions of these Articles, the matter shall be dealt with in accordance with the procedures of related laws and administrative regulations of the State.

The Company may decrease its registered capital according to these Articles. The Company shall decrease its registered capital pursuant to PRC Company Law, other relevant regulations, and the procedures stipulated by these Articles. If our Company decreases its registered capital, we must prepare a balance sheet and a list of properties. After a reduction of its capital, the Company shall register the change with the original State Administration for Industry and Commerce and publish an announcement. Our registered capital may not be less than the statutory minimum amount after capital reduction.

(c) **Shareholders**

The Shareholders of the Company are persons lawfully holding the Shares of the Company and whose names (titles) are already listed in the register of Shareholders. Shareholders of different classes of the Company shall *rank passu* over dividends or any forms of distribution.

Shares which the Company issues to domestic Investors for subscription in RMB are called “Domestic Shares”; shares which the Company issues to foreign Investors for subscription in foreign currencies are called “Foreign Shares”. Foreign Shares which are listed overseas are called “Overseas Listed Foreign Shares”.

Shareholders of both domestic shares and foreign shares listed overseas are ordinary Shareholders, entitled to the same rights and assuming the same obligations.

The rights of our ordinary Shareholders are as follows:

- (i) To receive distribution of dividends and other forms of benefits according to the number of Shares held;
- (ii) To participate in or appoint a shareholder proxy to participate in and exercise voting rights at the Shareholders’ general meeting;
- (iii) To supervise and manage our business and operational activities, provide proposals or submit queries;
- (iv) To transfer the Shares according to the provisions of the laws, administrative regulations and these Articles;
- (v) To obtain relevant information according to the provisions of these Articles;
- (vi) To participate in the distribution of the remaining assets of our Company according to the number of shares held upon our termination or liquidation; and
- (vii) Other rights conferred by laws, administrative regulations and these Articles.

In the case that any person interested directly or indirectly in the shares of our Company failed to disclose his interests to our Company, our Company shall not freeze or otherwise impair the rights attaching to any shares held by the person.

Our Company shall adopt the registered method for the Shares.

The Share certificates of the Company are signed by the chairman of the Board of Directors. Where the stock exchange on which the Shares of the Company are listed requires our other senior management of the Company to sign the Share certificates, they shall also be signed by such other personnel. The Share certificates shall become effective after being affixed with the seal of our Company or print-seal. Affixing our Company seal to the Share certificates is subject to the authorisation of the Board of Directors. The signature of the chairman of the Board of Directors or other related senior management of the Company may also be printed on the Share certificates.

If any person whose name appears in the register of Shareholders or requests to register his or her name (title) in the register of Shareholders loses his or her Share certificates, he or she may apply to our Company to reissue new Share certificates for those Shares.

In the event that a holder of Domestic Shares applies to our Company for a reissue after losing the Share certificates, the matter shall be dealt with pursuant to related provisions of the PRC Company Law.

In the event that a holder of overseas listed foreign invested Shares applies to our Company for reissue after losing the Share certificates, the matter shall be dealt with pursuant to the laws and rules of the stock exchange where the original register of holders of the overseas listed foreign invested Shares is kept, or other related provisions.

If a holder of overseas listed foreign invested Shares of a company listed in Hong Kong loses Share certificates and applies for a replacement issue, the Share certificates shall be issued in compliance with the following requirements:

- (i) The applicant shall submit the application in the standard form designated by our Company and attach a notarial certificate or statutory declaration. The contents of the notarial certificate or statutory declaration shall include the reason for the applicant's request, circumstances and evidence of loss of Share certificates, as well as a statement declaring that no other person may request to be registered as a Shareholder with respect to the pertinent Shares.
- (ii) Before deciding to issue new Share certificates, our Company does not receive any statement made by any person other than the applicant for a request to be registered as the Shareholder with respect to the Shares.
- (iii) If our Company decides to issue new Share certificates to the applicant, we shall publish an announcement in a newspaper designated by the Board of Directors indicating that we plan to reissue new Share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days.
- (iv) Before publishing the announcement indicating that we plan to reissue new Share certificates, our Company shall submit a copy of the announcement to be published to the stock exchange on which the Shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days.

If the application for reissue of new Share certificates is not approved by the registered Shareholders of the related Shares, our Company shall mail the copy of the announcement to be published to the Shareholders.

- (v) In the event that nobody raises any objection to the reissue of new Share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (iii) and (iv) above, the new Share certificates may be reissued according to the application.
- (vi) When reissuing new Share certificates, our Company shall immediately cancel the original Share certificates and register the cancellation and replacement issue on the register of Shareholders.
- (vii) All expenses incurred by our Company from the cancellation of the original Share certificates and replacement issue of the new Share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

(d) Untraceable Shareholders

The Company is entitled to, as permitted by the law, sell the shares held by Shareholders who are untraceable, where:

- (i) dividends are allocated for at least three times to such shares within a period of 12 years, but no shareholder has claimed any dividends; and
- (ii) Upon expiration of the 12-year period, our Company publishes an announcement in newspaper(s) in the place where the Shares of our Company are listed, indicating our intention to sell the Shares and notifies the stock exchange on which these Shares are listed of such intention.

(e) Regulations on the Powers of the Board of Directors and Convening the Board of Directors' Meetings

The Board of Directors is responsible for the Shareholders' general meeting and exercises the following powers:

- (i) Convene the Shareholders' general meeting and report on work to the Shareholders' general meeting;
- (ii) Implement the resolutions of the Shareholders' general meeting;
- (iii) Determine our business and investment plans;
- (iv) Devise our annual financial budget and final accounts;
- (v) Devise our plans for profits distribution and making up losses;

- (vi) Formulate policies for our debts and finance, plans for increasing or decreasing our registered capital, the issuance of any class of securities (including but not limited to corporate bonds) and their listing, or plans of repurchasing our Share certificates;
- (vii) Formulate plans for material acquisition or disposal of the Company's Shares, corporate merger, division and dissolution or change of the form of our Company;
- (viii) Decide on external investment, acquisition and disposal of assets, asset mortgage, consigned financial management, connected transactions, etc. of the Company within the authority granted by the Shareholders' general meeting;
- (ix) Consider and approve external guarantees given by the Company according to the laws and regulations and these Articles not subject to consideration by the Shareholders' general meeting;
- (x) Decide on the setup of our Company's internal management organisation, decide on the establishment or abolishment of the Company's branches and other affiliates;
- (xi) Elect Chairman and vice Chairman of the Board of Directors;
- (xii) Appoint or dismiss the general manager; based on the nomination of the general manager, appoint or dismiss our deputy general managers, the chief engineers, the chief financial officer, and the secretary of the Board of Directors, and determine their remuneration and rewards and punishments;
- (xiii) Formulate the proposal to amend these Articles ;
- (xiv) Develop, review and monitor the basic management systems, policies and practices of the Company;
- (xv) Formulate the equity incentive plan of the Company;
- (xvi) Manage the information disclosure of the Company;
- (xvii) Propose the appointment or replacement of the accounting firm that performs audits for our Company at the Shareholders' general meeting;
- (xviii) Hear and approve the work report submitted by the general manager of the Company and review his performance;
- (xix) Review and supervise our Company's policies and practices in relation to compliance with laws and regulatory requirements;
- (xx) Review our Company's compliance with the Corporate Governance Code as set out in the Hong Kong Listing Rules and its disclosure in the Governance Report;

(xxi) Decide on other major issues and administrative matters other than those required by the laws, administrative regulations, rules of competent authorities and provisions of these Articles to be resolved at the Shareholders' general meeting and execute other material agreements;

(xxii) Other powers and duties required by the Laws, regulations, rules of competent authorities, the listing rules of the stock exchange on which the Shares are listed or these Articles and conferred by the Shareholders' general meeting.

Meetings of the Board of Directors shall be convened at least four times each year, and shall be convened by the chairman. A meeting notice and the relevant documents shall be delivered to all Directors and Supervisors 14 days before the meeting.

A meeting notice and the relevant documents for an extraordinary meeting of the Board of Directors shall be delivered within a reasonable period before the meeting.

Meetings of the Board of Directors shall be attended by the Directors in person. In the event that Directors are unable to attend the meeting for some reason, the Directors may appoint in writing other Directors to attend the meeting of the Board of Directors. The proxy letter shall specify the proxy's name, entrusted matters, scope of authorisation and the valid term, and shall be affixed with the signature or seal of the consignor. The Director who attends the meeting on behalf of another Director shall exercise the right of the Director within the scope of authorisation. If any Director fails to attend the meeting of the Board of Directors or entrusts a proxy to be present on his/her behalf, such Director shall be deemed to have waived his/her voting rights at that meeting.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors.

Each Director shall have one vote.

The resolutions in relation to the foregoing matters may be passed by the majority of the Directors, except the resolution in relation to items (vi), (vii) or (xiii) which shall be passed by two-thirds of the Directors.

When the number of affirmative votes equals to the number of dissenting votes, the chairman of the Board of Directors is entitled to one additional vote.

Save for the exceptions provided under the Listing Rules or as permitted by the Hong Kong Stock Exchange, if a Director is connected (as defined under the Listing Rules) to any third party, he shall not cast vote himself or on behalf of other Directors on any transaction between the Company and that third party; such Director shall not be counted in the quorum of the relevant meeting. Where the number of the Directors who can vote on this matter is less than three, such issue shall be submitted to the shareholders' general meeting for voting.

If a substantial shareholder (as defined in the Listing Rules) or a Director has a conflict of interest in a matters to be considered by the Board of Directors which the Board of Directors has determined to be material, such matter shall be dealt with by way of holding a meeting of the Board of Directors (other than by a written resolution). Moreover, independent non-executive Directors who have no material interest in such matter shall be present at such meeting of the Board of Directors.

(f) Independent Non-executive Directors

The Board shall consist of three independent non-executive directors. Independent non-executive directors shall meet the following basic requirements:

- (i) The director's competence of acting as a director of a listed company in accordance with laws, administrative regulations, the listing rules of the exchange where the Company's shares are listed and other relevant regulations;
- (ii) compliance with the Listing Rules and relevant requirements of the Hong Kong Stock Exchange regarding the character, integrity, independence and experience of an Independent Non-executive Director;
- (iii) the basic acknowledge of operation of a listed company and familiarity with relevant laws, administrative regulations and regulations and rules of competent authorities;
- (iv) more than 5 years of working experience in the legal, economic or other fields which are essential for performing the responsibilities of an Independent Non-executive Director;
- (v) fulfilment of the independence and other requirements stipulated by law, administrative regulations, regulations of the competent authorities and these Articles.

In addition to the powers conferred on Directors by the Company Law and other relevant laws and regulations, listing rules of the exchange where the Company's shares are listed and these Articles, the Independent Non-executive Directors shall have the following special powers:

- (i) material connected transactions (determined according to the standards issued from time to time by the competent regulatory authorities) shall, after the recognition by Independent Non-executive Directors, be submitted to the Board meeting for discussion. The Independent Non-executive Directors may, before making a judgment, engage an intermediary to issue an independent financial advisor report for them to rely upon in making the judgment;
- (ii) to propose the appointment or removal of accounting firms to the Board;
- (iii) to propose the convening of extraordinary shareholders' general meetings to the Board;
- (iv) to propose the convening of extraordinary Board meetings;
- (v) to engage external auditing firms and consultancy firms independently;
- (vi) to collect voting rights from shareholders publicly prior to the convening of a shareholders' general meeting;
- (vii) to report directly to the shareholders' general meetings, securities regulatory authorities under the State Council and other relevant authorities.

The Independent Non-executive Directors shall seek the consent of more than half of all the Independent Non-executive Directors in exercising their functions and powers as set out above. If the aforesaid proposal is not accepted or the aforesaid functions and powers cannot be exercised properly, the Company shall disclose the relevant circumstances.

(g) Secretary to the Board

The Company shall have a secretary to the Board. The secretary to the Board is a senior management of the Company and shall report to the Company and the Board. The secretary to the Board shall be a natural person who has the requisite professional knowledge and experience and shall be nominated by the chairman and appointed by the Board.

(h) General Manager and Other Senior Management

The Company shall have one general manager who will report to the Board. The general manager shall be nominated by the chairman and appointed or dismissed by the Board. The Company shall have certain deputy general managers and a chief engineer. The Company shall have one financial controller. The appointment or dismissal of deputy general managers, the chief engineer and the financial controller shall be nominated by the general manager and approved by the Board. The general manager and other senior management are appointed for tenure of three years and may be re-appointed.

The general manager exercises the following powers:

- (i) to be in charge of the Company's production, operation and management and report to the Board;
- (ii) to organise the implementation of the resolutions of the Board;
- (iii) to organise the implementation of the Company's annual business plan, investment, funding and trusted wealth management plan;
- (iv) to draft plans for the establishment of the Company's internal management structure;
- (v) to propose plans for the establishment of the Company's branches and sub-branches;
- (vi) to propose the Company's basic management system;
- (vii) to formulate detailed rules and regulations of the Company;
- (viii) to propose the appointment or dismissal of the Company's deputy general manager and the financial controller and other senior management;
- (ix) to appoint or dismiss other management personnel other than those appointed or dismissed by the Board, and decide on their assessment, remuneration, incentive and punishment;
- (x) to propose the payroll, benefit and punishment of the Company's staff and decide on their appointment or dismissal;

- (xi) to propose to convene an extraordinary meeting of the Board;
- (xii) other functions and powers conferred by these Articles or the Board.

The general manager presents at the board meetings, but shall have no voting right if he/she is not a managing director.

(i) Supervisory Committee

The Company shall have a supervisory committee. The supervisory committee shall compose of two representatives of shareholders and one representative of employees. The supervisors assumed by non-staff representatives shall be elected and dismissed by the Shareholders' general meeting. The supervisors assumed by the staff representatives shall be elected and dismissed by the staff representatives' meetings, staff meetings or through other forms of democratic election. Directors, general managers and other senior management members shall not also serve as supervisors.

The supervisory committee shall have one chairman, and may have vice chairmen, who shall be appointed from supervisors in each case. The election or removal of the chairman of the supervisory committee shall be determined by the affirmative votes of two-thirds or more of the members of the supervisory committee.

Meetings of the supervisory committee shall be held at least twice each year and shall be held at least once every six months, and shall be convened and presided over by the chairman of the supervisory committee. Supervisors can propose the convening of an extraordinary meeting of the supervisory committee. All supervisors shall be notified by phone or fax 10 days before each meeting of the supervisory committee is held.

The supervisory committee shall be accountable to the shareholders' general meeting and shall perform the following duties:

- (i) to examine the Company's financial affairs;
- (ii) to supervise directors and senior officers in their performance of duties and to propose the removal of directors and senior officers who have contravened any law, administrative regulations, these Articles or resolutions of shareholders general meetings;
- (iii) to demand any director, the general manager and other senior management who acts in a manner which is harmful to the Company's interests to rectify such behaviour;
- (iv) to inspect financial information such as financial reports, business reports and profit distribution plans and, in case doubt, professionals such as registered accountants and certified auditors may be hired to provide assistance in the name of the Company;
- (v) to propose to convene a shareholders' extraordinary general meeting, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over the general meeting;
- (vi) to propose at a shareholders' general meeting;

- (vii) to negotiate with or institute a suit to directors or the senior management on behalf of the Company;
- (viii) to propose to convene an extraordinary meeting of the Board;
- (ix) to elect the chairman of the supervisory committee;
- (x) to conduct investigations whenever unusual conditions of operation of the Company arises and if necessary, to engage professional institutions such as certified public accountants and lawyers firms to assist in the investigations at the expense of the Company;
- (xi) other functions and powers conferred by these Articles.

Supervisors shall be present at meetings of the Board and may raise enquiries or propose on the matters to be resolved by the Board.

(j) Reserves

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed to the shareholders in proportion to their respective shareholdings, except when it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the shareholders must return the profits distributed in violation of the provision to the company.

(k) Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

- (i) All disputes and claims between shareholders of overseas-listed foreign-invested shares and the Company, between shareholders of overseas-listed foreign-invested shares and the

Company's directors, supervisors, general manager and other senior management, or between shareholders of overseas-listed foreign-invested shares and shareholders of domestic shares arising from these Articles or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company shall be referred by the relevant parties to arbitration.

Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company, a Shareholder of our Company, a Director, a supervisor, a general manager or a member of other senior management. Disputes in relation to the definition of Shareholders and disputes in relation to the Shareholders' register need not be resolved by arbitration. Disputes in relation to the definition of shareholders and register of shareholders need not be resolved by arbitration.

- (ii) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

- (iii) The laws of the People's Republic of China are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i) above, unless otherwise provided in the laws and administrative regulations.
- (iv) The award of an arbitration body shall be final and conclusive and binding on all parties.

(1) Effective Day of These Articles of the Company

These Articles have been adopted by a special resolution of the general meeting with the approval by the relevant state authorities and shall be effective on the date that the foreign listed shares of the Company are listed on the Hong Kong Stock Exchange. Upon the effective day of these Articles, the existing Articles of the Company shall lapse automatically.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was established as a joint stock limited company under the Company Law on 28 December 2009 by the Promoters, being Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu, Mr. He Jianmin, Mr. Bian Weican, Mr. Chen Jiancheng and TGL. Our Company has established a place of business at 22/F, World-Wide House, 19 Des Voeux Road, Central, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 19 August 2014. Mr. Lau Hon Kee of Flat 4, 31/F, Choi On House, Yue On Court, Ap Lei Chau, Hong Kong, has been appointed as our agent for the acceptance of service of process in Hong Kong. As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC as set out in Appendix V of this prospectus.

2. Changes in the registered share capital of our Company

At the time of the establishment of our Company as the joint stock limited company on 28 December 2009, our initial registered capital was RMB100,000,000 divided into 100,000,000 Domestic Shares of nominal value of RMB1.0 each, and out of which 30,000,000 Domestic Shares of nominal value of RMB1.0 each were fully paid up or credited as fully paid up by Mr. Bian, Mr. Bian Jianguang, Ms. Bian Shu, Mr. He Jianmin, Mr. Bian Weican and Mr. Chen Jiancheng. On 18 August 2011, the remaining 70,000,000 Domestic Shares of nominal value of RMB1.0 each were fully paid up or credited as fully paid up by TGL. Upon completion of the Global Offering, but without taking into account any H Shares which may be issued by our Company pursuant to the Over-allotment Option, our registered share capital will increase to RMB135,000,000, made up of 100,000,000 Domestic Shares and 35,000,000 H Shares fully paid up or credited as fully paid up, representing approximately 74.07% and 25.93% of the registered share capital, respectively. Save as aforesaid, there has been no alteration in our registered share capital since our establishment.

3. Resolutions passed at our Company's Extraordinary General Meeting on 10 October 2014

At the extraordinary general meeting of our Company held on 10 October 2014, among other things, the following resolutions were passed by our Shareholders:

- a) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall become effective on the Listing Date;
- b) approving the issue of H Shares with a par value of RMB1.0 each (the number of the H Shares so issued shall not exceed 35,000,000 Shares representing approximately 25.93% of the total issue share capital of our Company after the Global Offering) and granting of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued as above mentioned;

- c) subject to the completion of the Global Offering, the Board has been granted a general mandate to allot and issue Domestic Shares and/or H Shares, either separately or concurrently, at any time within a period of up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, and to make necessary amendments to the Articles of Association, provided that the number of Domestic Shares and/or H Shares to be issued shall not exceed 20% of the number of our Domestic Shares in issue or H Shares in issue (as the case may be) as at the Listing Date; and
- d) authorising the Board to handle all matters relating to, among other things, the issue of H Shares and the listing of H Shares on the Stock Exchange.

B. OUR SUBSIDIARIES

Our Company's subsidiaries as at 31 March 2015 are set out under the financial statement in the Accountants' Report as included in Appendix I to this prospectus.

Save as disclosed in the section headed "History and Corporate Structure" in this prospectus, there has not been any changes in the share capital to any of our subsidiaries within the two years preceding to the date of this prospectus.

C. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business), within two years preceding the date of this prospectus which are or may be material:

- (a) the Non-Competition Agreement (避免同業競爭協議) dated 20 October 2014 and entered into between our Company and the Controlling Shareholders in respect of certain non-competition undertaking given by the Controlling Shareholders in favour of our Group;
- (b) the agreement (協議書) dated 27 April 2015 entered into between TGL and our Company pursuant to which, among other things, in the event the relevant project resumes, TGL undertook to procure to novate the relevant project to our Company (if the relevant customer consents) or subcontract to our Company for completing the relevant project;
- (c) the supplementary agreement dated 1 July 2015 entered into among TGL, our Company and Ascender Limited in respect of the novation of a main contract from TGL to our Company with effect from 1 July 2015;
- (d) the Deed of Indemnity dated 18 August 2015 and entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for subsidiaries) containing the indemnities more particularly referred to in the sub-paragraph headed "Indemnities" under the paragraph headed "Other Information" in this Appendix;

- (e) the cornerstone placing agreement dated 16 September 2015 and entered into among our Company, Kylin International (HK) Co., Limited and China Everbright Securities (HK) Limited, pursuant to which Kylin International (HK) Co., Limited agreed to subscribe for the H Shares in the amount of HK\$20,000,000; and
- (f) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we are the registered owner of the following trademarks in the PRC and Hong Kong which our Directors consider are material to our business:

No.	Registered Owner	Trademark	Place of Registration	Duration	Registration Number	Class
1	Company	TENGY	PRC	From 14 November 2012 to 13 November 2022	9938749	7
2	Company	TENGY	PRC	From 7 December 2010 to 6 December 2020	7707736	7
3	Company	TENGY	Hong Kong	From 14 January 2014 to 13 January 2024	302865583	7 and 9

(b) Patents

As at the Latest Practicable Date, we are the registered owner of the following patents which our Directors consider are material to our business:

No.	Patent Name	Patent Type	Place of Registration	Patent holder(s)	Patent application date	Patent No.
1	High efficient electrostatic-bag precipitator (高效電袋除塵裝置)	utility model	PRC	Company	18 June 2008	ZL200820088750.9
2	Straw incinerator flue gas pre dust removal device (秸稈焚燒爐煙氣預除塵裝置)	utility model	PRC	Company	30 May 2008	ZL200820087777.6
3	Corona electrode in electrostatic precipitator (電除塵器的電暈極)	utility model	PRC	Company	30 May 2008	ZL200820087778.0
4	Shifting yoke mechanical rapping in electrostatic precipitator (電除塵器拔叉式機械振打)	utility model	PRC	Company	4 August 2006	ZL200620106388.4

APPENDIX VII
STATUTORY AND GENERAL INFORMATION

No.	Patent Name	Patent Type	Place of Registration	Patent holder(s)	Patent application date	Patent No.
5	Anode plate mill (陽極板軋機)	utility model	PRC	Company	9 October 2008	ZL200820165410.1
6	Double sealing valve used in bag filter precipitator flue gas access hole (用於布袋除塵器煙氣進出口控制的雙層密封閥)	utility model	PRC	Company	11 March 2010	ZL201020129084.6
7	A rapping device vertical shafting bearing device (一種振打裝置豎軸軸承裝置)	utility model	PRC	Company	11 March 2010	ZL201020129099.2
8	Thin sheet small parts automatic feeding device (薄型片狀小零件自動送料裝置)	utility model	PRC	Company	21 September 2010	ZL201020552313.5
9	Improved R-S wire for electrostatic precipitator (電除塵器改良型R-S線)	utility model	PRC	Company	3 April 2010	ZL201020175000.2
10	A dedicated machine used for automatic improved R-S wire for electrostatic precipitator production (一種自動生產電除塵器R-S線的專機)	invention	PRC	Company	28 April 2010	ZL201010174861.3
11	A flue gas cooling device (一種煙氣冷卻裝置)	invention	PRC	Company	17 May 2010	ZL201010185797.9
12	R-S gear welding self-positioning device for electrostatic precipitator (電除塵器R-S線芒齒焊接自定位裝置)	utility model	PRC	Company	3 April 2010	ZL201020176180.6
13	Thin sheet iron small parts automatic feeding device (薄型片狀鐵質小零件自動送料裝置)	utility model	PRC	Company	28 April 2010	ZL201020190700.9
14	A filter bag sealing cover (一種濾袋密封罩)	utility model	PRC	Company	27 December 2010	ZL201020682006.9
15	An integrated dust removal device for biomass power plant boiler flue (一種生物質電廠鍋爐煙氣一體式除塵裝置)	utility model	PRC	Company	19 December 2011	ZL201120532037.0
16	A new-type barbed wire for electrostatic precipitator (一種電除塵器的新型芒刺線)	utility model	PRC	Company	19 May 2014	ZL201420259581.6
17	A dust cover for cathode rapping device for electrostatic precipitator (一種電除塵器陰極振打裝置的防塵罩)	utility model	PRC	Company	19 May 2014	ZL201420256295.4

No.	Patent Name	Patent Type	Place of Registration	Patent holder(s)	Patent application date	Patent No.
18	A connector for filter aid input pipes of pre-coated bag filter precipitator (一種預塗層袋式除塵器的助濾劑輸入管接頭)	utility model	PRC	Company	19 May 2014	ZL201420257545.6
19	A cathode rapping device for electrostatic precipitator (一種電除塵器陰極振打傳動裝置)	utility model	PRC	Company	19 May 2014	ZL201420255744.3
20	A side-ventilation valve seat of bag filter precipitator (一種布袋除塵器的旁通風門閥座)	utility model	PRC	Company	19 May 2014	ZL201420255541.4
21	A coupling collar for bag filter cage (一種除塵袋籠連接環)	utility model	PRC	Company	19 May 2014	ZL201420254800.1
22	A device for removing NO _x through flue gas recycling and ammonia agent jetting (一種煙氣再循環和氨劑噴射NO _x 脫除裝置)	utility model	PRC	Company	28 December 2012	ZL201220747867.X
23	Frame-type mobile polar plates (框架式移動極板)	utility model	PRC	Company	12 December 2013	ZL201320813958.3
24	A device for flue gas denitrification (一種煙氣脫硝裝置)	utility model	PRC	Company	30 July 2014	ZL201420423409.X
25	An equipment for flue gas desulphurisation (一種煙氣脫硫設備)	utility model	PRC	Company	30 July 2014	ZL201420423443.7
26	A fine desulphurisation milling machine (一種精細脫硫磨粉機)	utility model	PRC	Company	30 July 2014	ZL201420423617.X
27	An access door used in cathode rapping device for electrostatic precipitator (一種電除塵器陰極振打傳動裝置用檢修門)	utility model	PRC	Company	19 November 2014	ZL201420697050.5
28	A multi-section type bag cage connection component (一種多節式袋籠連接組件)	utility model	PRC	Company	19 November 2014	ZL201420697726.0
29	An improved cathode rapping device for electrostatic precipitator (一種改良型電除塵器陰極振打傳動裝置)	utility model	PRC	Company	19 November 2014	ZL201420696710.8
30	A cathode rapping device for electrostatic precipitator with access door (一種帶檢修門的電除塵器陰極振打傳動裝置)	utility model	PRC	Company	19 November 2014	ZL201420696669.4

No.	Patent Name	Patent Type	Place of Registration	Patent holder(s)	Patent application date	Patent No.
31	A stirring device for wet electrostatic precipitator for prevention of disintegration of anti-corrosive coating inside the barrel (一種可防止筒體內壁防腐層脫落的濕式電除塵器攪拌裝置)	utility model	PRC	Company	28 January 2015	ZL201520059950.1
32	An Anode plate for wet precipitator (一種濕式除塵器用陽極板)	utility model	PRC	Company	28 January 2015	ZL201520058773.5
33	A Cathode wire for wet precipitator (一種濕式除塵器用陰極線)	utility model	PRC	Company	28 January 2015	ZL201520058629.1
34	A dust removal device for mobile plate precipitator (一種移動極板除塵器用清灰裝置)	utility model	PRC	Company	6 February 2015	ZL201520084457.5
35	A device for boost of pressure in the wet electrostatic precipitator and porcelain beams apparatus for drying (一種用於濕式電除塵器大樑內增壓及瓷套乾燥的裝置)	utility model	PRC	Company	10 March 2015	ZL201520134211.4

Under PRC law, a granted invention has a validity period of 20 years from the date of its application and a granted utility model has a validity period of 10 years from the date of its application.

As at the Latest Practicable Date, we have made the following patent applications:

No.	Patent Name	Patent Type	Place of Registration	Applicant(s)	Patent application date	Patent application No.
1	A device and method for removing NO _x through flue gas recycling and ammonia agent jetting (一種煙氣再循環和氨劑噴射NO _x 脫除裝置及方法)	invention	PRC	Company	28 December 2012	201210586705.7
2	A device for boost of pressure in the wet electrostatic precipitator and porcelain beams apparatus for drying (一種用於濕式電除塵器大樑內增壓及瓷套乾燥的裝置)	invention	PRC	Company	10 March 2015	201510104187.4
			PRC	Company	6 February 2015	201510063257.6
3	An electrostatic precipitator with comb-type plate for blockage and diversion of current (一種帶可阻流及導流的梳齒式板的電除塵器)	invention	PRC	Company	6 February 2015	201510063257.6

No.	Patent Name	Patent Type	Place of Registration	Applicant(s)	Patent application date	Patent application No.
4	A dust removal device for mobile plate precipitator (一種移動極板除塵器用清灰裝置)	invention	PRC	Company	6 February 2015	201510062382.5

(c) *Domain Name*

As at the Latest Practicable Date, we have registered the following domain names which the Directors consider are material to our business:

Entity name	Domain name or internet keywords	Date of registration	Expiry date
Company	tengy.com	17 February 2003	18 February 2020

D. DISCLOSURE OF INTERESTS**1. Disclosure of our Directors' and Supervisors' interests in the registered capital of our Company and its associated corporations**

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the beneficial interests or short positions of our Directors, Supervisors and the chief executives in any shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which once the H shares are listed, will be required (a) to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein once the H Shares are listed; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the H Shares are listed are as follows:

The Company

Director/ Supervisor	Nature of interest	Number of Shares held after the Global Offering ⁽²⁾	Approximate shareholding percentage in the relevant class of Shares after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering ⁽³⁾
Mr. Bian ⁽⁵⁾	Beneficial owner	13,671,000 Domestic Shares (L)	13.67%	10.13%

Director/ Supervisor	Nature of interest	Number of Shares held after the Global Offering ⁽²⁾	Approximate shareholding percentage in the relevant class of Shares after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering ⁽³⁾
	Interest in a controlled corporation ⁽⁶⁾	70,000,000 Domestic Shares (L)	70%	51.85%
Mr. Bian Jianguang ⁽⁵⁾	Beneficial owner	6,843,000 Domestic Shares (L)	6.84%	5.07%
	Interest in a controlled corporation ⁽⁶⁾	70,000,000 Domestic Shares (L)	70%	51.85%
Mr. Bian Weican	Beneficial owner	1,851,000 Domestic Shares (L)	1.85%	1.37%
Ms. Bian Shu ⁽⁵⁾	Beneficial owner	3,933,000 Domestic Shares (L)	3.93%	2.91%
	Interest in a controlled corporation ⁽⁶⁾	70,000,000 Domestic Shares (L)	70%	51.85%
Mr. Zhang Yuanyuan ⁽⁴⁾	Family interest of spouse	73,933,000 Domestic Shares (L)	73.93%	54.77%

Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares.
- (2) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (3) The calculation is based on the total number of 135,000,000 Shares in issue after the Global Offering.
- (4) Mr. Zhang Yuanyuan, the spouse of Ms. Bian Shu, is deemed to be interested in Ms. Bian Shu’s interest in the Company by virtue of the SFO.
- (5) The Company will be held as to approximately 51.85% by TGL, approximately 10.13% by Mr. Bian, approximately 5.07% by Mr. Bian Jianguang, approximately 2.91% by Ms. Bian Shu, approximately 1.37% by Mr.

He Jianmin, approximately 1.37% by Mr. Bian Weican and approximately 1.37% by Mr. Chen Jiancheng immediately following the completion of the Global Offering (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option). TGL is held as to approximately 64.08% by Mr. Bian, approximately 22.81% by Mr. Bian Jianguang and approximately 13.11% by Ms. Bian Shu.

- (6) The disclosed interest represents the interest in the Company held by TGL which is in turn approximately 64.08% owned by Mr. Bian, approximately 22.81% owned by Mr. Bian Jianguang and approximately 13.11% owned by Ms. Bian Shu. Therefore, Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu are deemed to be interested in TGL's interest in the Company by virtue of the SFO. Immediately after the Global Offering, the indirect interests in the Company owned by Mr. Bian, Mr. Bian Jianguang and Ms. Bian Shu via their respective interests in TGL are approximately 44.86%, 15.97% and 9.18% respectively.

Associated Corporation

Director/Supervisor	Associated Corporation	Nature of interest	Approximate shareholding percentage in the relevant class of Shares in the Associated Corporation
Mr. Bian Jianguang	TGL	Beneficial owner ⁽¹⁾	22.81%
	Tianjie Special Steel	Beneficial owner ⁽²⁾	44%
Ms. Bian Shu	TGL	Beneficial owner	13.11%
Mr. Bian	TGL	Beneficial owner	64.08%
	Tianjie Metal Material	Beneficial owner ⁽³⁾	1%
Mr. Zhang Yuanyuan	TGL	Family interest of spouse ⁽⁴⁾	13.11%

Notes:

- (1) The disclosed interest represents the interests in TGL, the associated corporation which is wholly owned as to 64.08% by Mr. Bian, 22.81% by Mr. Bian Jianguang and 13.11% by Ms. Bian Shu.
- (2) The disclosed interest represents the interests in Tianjie Special Steel, the associated corporation which is wholly owned as to 44% by Mr. Bian Jianguang and 56% by TGL.
- (3) The disclosed interest represents the interests in Tianjie Metal Material, the associated corporation which is wholly owned as to 99% by TGL and 1% by Mr. Bian.
- (4) Mr. Zhang Yuanyuan, the spouse of Ms. Bian Shu, is deemed to be interested in Ms. Bian Shu's interest in the Company by virtue of the SFO.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the Global Offering (without taking into account any H Shares that may be issued upon the exercise of the Over-allotment Option), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Shareholders	Name of company	Nature of interest	Number of Shares held after the Global Offering ⁽²⁾	Approximate shareholding percentage in the relevant class of Shares after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering ⁽³⁾
TGL ⁽⁶⁾	Company	Beneficial owner	70,000,000 Domestic Shares (L)	70%	51.85%
Ms. Bao Guo ⁽⁴⁾	Company	Family Interest of spouse	83,671,000 Domestic Shares (L)	83.67%	61.98%
Ms. Xu You ⁽⁵⁾	Company	Family Interest of spouse	76,843,000 Domestic Shares (L)	76.84%	56.92%

Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares.
- (2) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (3) The calculation is based on the total number of 135,000,000 Shares in issue after the Global Offering.
- (4) Ms. Bao Guo, the spouse of Mr. Bian, is deemed to be interested in Mr. Bian’s interest in the Company by virtue of the SFO.
- (5) Ms. Xu You, the spouse of Mr. Bian Jianguang, is deemed to be interested in Mr. Bian Jianguang’s interests in the Company by virtue of the SFO.
- (6) TGL is directly interested in approximately 51.85% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).

3. Particulars of Service Contracts

Each of our Directors and Supervisors, has entered into a service contract with our Company before the Listing. The principal particulars of these service contract are (a) for a term of three years commencing from the Listing Date; and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules or regulations.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Directors' and Supervisors' remuneration

For the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the aggregate amount of salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors and Supervisors were approximately RMB0.1 million, RMB0.2 million, RMB0.5 million and RMB0.3 million, respectively. Save as disclosed under Note 8 to the financial information in the Accountants' Report set out in Appendix I to this prospectus, no Director or Supervisor received other remuneration or benefits in kind from the Company in respect of the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015.

Save as disclosed above, no other payments have been paid or are payable by us to the Directors and Supervisors in respect of the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director or Supervisor during the current financial year.

Under the current arrangements, our Directors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending 31 December 2015 under arrangement in force as of the date of this prospectus which is expected to be approximately RMB1,229,000 in aggregate.

Under the current arrangements, our Supervisors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending 31 December 2015 under arrangement in force as of the date of this prospectus which is expected to be approximately RMB213,000 in aggregate.

Each of the Directors and Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

6. Agency Fees or Commissions Paid or Payable

Save as disclosed in the section headed “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years ended on the date of this prospectus.

7. Related Party Transactions

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in Note 35 to the financial information in the Accountants’ Report set out in Appendix I to this prospectus.

8. Disclaimers

Save as disclosed in this prospectus and as of the Latest Practicable Date:

- (a) our Directors are not aware of any other person (not being a Director or Supervisor or the chief executive of our Company) who will, immediately following completion of the Global Offering, have interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group;
- (b) none of our Directors or Supervisors or the chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of our Company, our subsidiary or any of the associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed “Consents” of this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or were proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed “Consents” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant to the business of our Group taken as a whole;
- (e) save in connection with the Underwriting Agreements, none of the experts referred to in the paragraph headed “Consents” of this Appendix has any shareholding in any member of our Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or Supervisors or their respective associates nor, to the knowledge of the Directors, any Shareholders who held more than 5% of the total Shares as of the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of our Group.

E. OTHER INFORMATION

1. Indemnities

On 18 August 2015, our Controlling Shareholders entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustee for our subsidiaries), pursuant to which our Controlling Shareholders agreed and undertook with our Company, subject to the terms of the Deed of Indemnity, to indemnify and keep our Company indemnified on a joint and several basis against any and all tax liabilities falling on our Company which might be payable by us in respect of, among others, any incomes, profits or gains earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) prior to the date on which the Global Offering becomes unconditional and dealings in H shares first commence on the Stock Exchange (the “Effective Date”), save in the following circumstances:

- (a) to the extent that provision has been made for such taxation in any audited accounts of the Company for any period up to 31 March 2015; or
- (b) for which our Company is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets (if any) after the Effective Date;
- (c) to the extent that such taxation or liability falling on our Company in respect of its accounting period commencing from 1 April 2015 unless liability for such taxation would not have arisen but for some act or omission of or transaction voluntarily effected by our Company (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of our Controlling Shareholders, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or as part of an acquisition and disposition of capital assets (if any) conducted in the ordinary course on or before the Effective Date; or

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date or pursuant to any statement of intention made in this Prospectus; or
- (d) to the extent that such taxation arises or is incurred as a result of a retrospective change in laws or interpretation and practice by the SAT or other relevant authority or a retrospective increase of tax rates coming into force after the Effective Date; or
- (e) to the extent that any provisions or reserve made for taxation in the audited accounts of our Company up to 31 March 2015 which is finally established to be an over-provision or an excessive reserve in which case our Controlling Shareholders' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this item (e) to reduce our Controlling Shareholders' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, our Controlling Shareholders also agreed and undertook to indemnify and keep our Company indemnified against any costs, expenses, claims, liabilities, penalties, losses and damages that our Company may suffer due to (i) the non-compliance with the relevant PRC laws including but not limited to the non-compliance referred to in the section headed "Business — Historical Non-compliance" in this prospectus; and (ii) all claims, penalties, fines and all losses and damages which may be suffered by our Group as a result of any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any member of our Group accrued or arising on or before the Listing Date including but not limited to any claims from service providers for non-payment of service fees and any claims in relation to the Group's non-compliant service charge invoices during the Track Record Period as disclosed in the section headed "Business — Historical Non-compliance" in this prospectus.

2. Estate Duty

Our Director have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

3. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed "Business — Legal Proceedings", our Company is not involved in any material litigation, arbitration or administrative proceedings that would have a material adverse effect on the operations or financial conditions of our Group as a whole. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

4. Restrictions on Share Repurchase

Please refer to the section headed “Appendix V — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions — 2. Hong Kong Laws and Regulations — (2) The Listing Rule — (vi) Restrictions on purchase and subscription of its own securities” in this prospectus for details.

5. Sole Sponsor

The Sole Sponsor has declared their independence pursuant to Rule 3A.07 of the Listing Rules.

Our Company has agreed to pay the Sole Sponsor a fee of HK\$3.7 million to act as the sole sponsor to the Company in relation the Global Offering.

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

6. Preliminary expenses

Our estimated preliminary expenses were approximately RMB0.1 million and were payable by our Company.

7. Qualification of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
China Everbright Capital Limited	a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Ernst & Young	Certified public accountants
Zhejiang Confuway Law Firm	PRC legal advisers
DTZ Debenham Tie Leung Limited	Independent property valuer in relation to the market values of the Group’s property in the PRC

8. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position since 31 March 2015.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

Save as disclosed in this prospectus,

- (a) within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;
- (h) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange or trading system nor is any listing or permission to deal being or proposed to be sought;
- (i) there is no subsidiary in our Group which is a Sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture; and

- (j) our Company currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

12. Consents

Each of the experts as referred to in the paragraph headed “Qualification of experts” in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

13. Promoters

The Promoters of our Company are Mr. Bian , Mr. Bian Jianguang, Ms. Bian Shu, Mr. He Jianmin, Mr. Bian Weican, Mr. Chen Jiancheng and TGL.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to the Promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the WHITE, YELLOW and GREEN Applications Forms, the written consents referred to under the sub-paragraph headed “Consents” under the paragraph headed “Other information” of Appendix VII to this prospectus, and certified copies of the material contracts referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business” of Appendix VII to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22nd Floor, World-Wide House Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2014 and the three months ended 31 March 2015;
- (d) the report on the unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (e) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix III to this prospectus;
- (f) the PRC Company Law, the Special Regulations and the Mandatory Provisions together with unofficial English translations thereof;
- (g) the PRC legal opinions issued by Zhejiang Confuway Law Firm, our PRC Legal Advisers, in respect of various aspects of our Group and the property interests of our Group in the PRC;
- (h) the material contracts referred to in the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business” in Appendix VII to this prospectus;

**APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (i) the written consents referred to in the sub-paragraph headed “Consents” under the paragraph headed “Other information” in Appendix VII to this prospectus; and

- (j) the service contracts referred to in the paragraph headed “Particulars of Service Contracts” in Appendix VII to this prospectus.

TENGY



浙江天潔環境科技股份有限公司
Zhejiang Tengy Environmental Technology Co., Ltd